



**TransForce**

**Q2**

## SECOND QUARTERLY REPORT

Three-month period ended June 30, 2014

## Our Mission



*To establish itself as a leader in the North American transportation and logistics industry through strategic, profitable acquisitions and partnerships. TransForce will create shareholder value by fostering a positive work environment to leverage the skills of its team of dedicated professionals and provide creative solutions tailored to specific customer needs.*

## Corporate Profile

**TRANSFORCE INC.** is a North American leader in the transportation and logistics industry, operating across Canada and the United States through its subsidiaries. TransForce creates value for shareholders by identifying strategic acquisitions and managing a growing network of wholly-owned, operating subsidiaries. Under the TransForce umbrella, companies benefit from financial and operational resources to build their businesses and increase their efficiency. TransForce companies service the following segments:

- Package and Courier;
- Less-Than-Truckload;
- Truckload, which includes specialized truckload and dedicated services;
- Specialized Services, which includes waste management, logistics services and rig moving services.

TransForce Inc. is publicly traded on the Toronto Stock Exchange (TSX: TFI) and the OTCQX marketplace in the U.S. (OTCQX: TFIFF). For more information, visit **[www.transforcecompany.com](http://www.transforcecompany.com)**



## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the second quarter ended  
**June 30, 2014**

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## GENERAL INFORMATION

The following is TransForce Inc.'s management discussion and analysis ("MD&A"). Throughout this MD&A, the terms "Company" and "TransForce" shall mean TransForce Inc., and shall include its independent operating subsidiaries. This MD&A provides a comparison of the Company's performance for its three- and six-month periods ended June 30, 2014 with the corresponding three- and six-month periods ended June 30, 2013 and it reviews the Company's financial position as at June 30, 2014. It also includes a discussion of the Company's affairs up to July 24, 2014. This discussion should be read in conjunction with the consolidated financial statements and accompanying notes as at and for the year ended December 31, 2013.

In this document, all financial data are prepared in accordance with the International Financial Reporting Standards ("IFRS"). All amounts are in Canadian dollars, and the term "dollar", as well as the symbols "\$" and "C\$", designate Canadian dollars unless otherwise indicated. This MD&A also uses non-IFRS financial measures. Please refer to the section of this report entitled "Reconciliation of non-IFRS financial measures" for a complete description of these measures.

The Company's unaudited condensed consolidated interim financial statements have been approved by its Board of Directors upon recommendation of its audit committee on July 24, 2014. Prospective data, comments and analysis are also provided wherever appropriate to assist existing and new investors to see the business from a corporate management point of view. Such disclosure is subject to reasonable constraints for maintaining the confidentiality of certain information that, if published, would probably have an adverse impact on the competitive position of the Company.

Additional information relating to the Company can be found on its website at [www.transforcecompany.com](http://www.transforcecompany.com). The Company's continuous disclosure materials, including its annual and quarterly MD&A, annual and quarterly consolidated financial statements, annual report, annual information form, management proxy circular and the various press releases issued by the Company are also available on its website or directly through the SEDAR system at [www.sedar.com](http://www.sedar.com).

## FORWARD-LOOKING STATEMENTS

The Company may make statements in this report that reflect its current expectations regarding future results of operations, performance and achievements. These are "forward-looking" statements and reflect management's current beliefs. They are based on information currently available to management. Words such as "may", "could", "should", "would", "believe", "expect", "anticipate" and words and expressions of similar import are intended to identify these forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical results and those presently anticipated or projected.

The Company wishes to caution readers not to place undue reliance on any forward-looking statements which reference issues only as of the date made. The following important factors could cause the Company's actual financial performance to differ materially from that expressed in any forward-looking statement: the highly competitive market conditions, the Company's ability to recruit, train and retain qualified drivers, fuel price variation and the Company's ability to recover these costs from its customers, foreign currency fluctuations, the impact of environmental standards and regulations, changes in governmental regulations applicable to the Company's operations, adverse weather conditions, accidents, the market for used equipment, changes in interest rates, cost of liability insurance coverage, downturns in general economic conditions affecting the Company and its customers, and credit market liquidity.

The foregoing list should not be construed as exhaustive, and the Company disclaims any obligation subsequently to revise or update any previously made forward-looking statements unless required to do so by applicable securities laws. Unanticipated events are likely to occur. Readers should also refer to the section "Risks and uncertainties" at the end of this MD&A for additional information on risk factors and other events that are not within the Company's control. The Company's future financial and operating results may fluctuate as a result of these and other risk factors.



## HIGHLIGHTS AND SELECTED FINANCIAL DATA

### Second quarter

- On June 18, 2014, the Company signed an amendment to its credit facility to increase it by \$245 million to \$1,045 million and to extend the term to August 2017.
- On April 24, 2014, TransForce adopted a dividend policy whereby approximately 20-25% of TransForce's annualized free cash flow available would be distributed.
- Modifications to the composition of reportable segments resulting in the presentation of the Waste Management segmented information. This resulted in a pre-tax \$27.8 million goodwill impairment in the rig moving services, now included in Other segments.
- Total revenue increased 12% to \$889.1 million.
- EBIT up 28% to \$79.5 million, before impairment, due to operating improvements and acquisitions. EBIT margin improved to 8.9%.
- Adjusted net income increased 25% to \$49.1 million or \$0.48 per share, fully diluted.
- Free cash flow ("FCF") increased to \$97.4 million compared to \$91.1 million in Q2 2013.
- Reduction of long-term debt of \$50.3 million to \$860.5 million from \$910.8 million in Q1 2014.
- As a subsequent event, on July 3, 2014, the Company concluded the acquisition of Transport America, Inc. for US\$310 million, with trailing twelve months revenue and EBITDA of US\$350 million and US\$54.0 million, respectively.

### Six-month period

- Total revenue increased 8% to \$1.66 billion.
- EBIT up 5%, before impairment, to \$112.7 million. Strong Q2 margins of 8.9% contributed to average YTD EBIT margin of 6.8% from the 4.3% margin of Q1.
- Adjusted net income increased 9% to \$70.8 million.
- Adjusted earnings per share, fully diluted, increased 6% to \$0.71.
- Free cash flow ("FCF") increased to \$132.5 million compared to \$111.7 million in 2013.
- Proceeds of \$33.3 million from disposal of excess rig moving equipment and assets held for sale.

### During the first quarter

- On January 1, 2014, conclusion of the acquisition of Clarke Transport Inc. and Clarke Road Transport Inc.
- On February 3, 2014, completion of the 6% convertible debentures redemption, which were mainly converted into shares.
- On March 26, 2014, all shares of Vitran not already owned were purchased at a price per share of US\$6.50.

(unaudited) (in thousands of dollars, except per share data)	Second quarters ended June 30			Six months ended June 30		
	2014	2013	Variance	2014	2013	Variance
Revenue	779,140	709,915	10%	1,458,897	1,380,944	6%
Fuel surcharge	109,937	82,338	34%	200,658	161,032	25%
Total revenue	889,077	792,253	12%	1,659,555	1,541,976	8%
EBITDA <sup>(1)</sup>	107,294	93,149	15%	164,046	162,479	1%
Income from operating activities ("EBIT") <sup>(1) (2)</sup>	79,461	62,270	28%	112,706	106,835	5%
Adjusted net income <sup>(1)</sup>	49,065	39,221	25%	70,758	64,660	9%
Net income <sup>(2)</sup>	62,767	26,559	136%	68,702	45,419	51%
Net cash from operating activities before net change in working capital	89,410	60,306	48%	113,584	83,458	36%
Net cash from operating activities	55,138	80,627	-32%	79,074	95,224	-17%
Free cash flow <sup>(1)</sup>	97,439	91,110	7%	132,502	111,657	19%
Per share data						
Free cash flow <sup>(1)</sup>	0.99	0.98	1%	1.36	1.20	13%
Adjusted EPS – diluted <sup>(1)</sup>	0.48	0.40	20%	0.71	0.67	6%
EPS – diluted <sup>(2)</sup>	0.61	0.28	118%	0.69	0.48	44%
Dividends	0.145	0.130	12%	0.290	0.260	12%
As a percentage of total revenue						
EBITDA margin	12.1%	11.8%		9.9%	10.5%	
Depreciation of property and equipment	2.5%	3.1%		2.7%	3.2%	
Amortization of intangible assets	0.9%	1.2%		1.0%	1.2%	
EBIT margin <sup>(2)</sup>	8.9%	7.9%		6.8%	6.9%	
Operating ratio <sup>(1)</sup>	91.1%	92.1%		93.3%	93.1%	

(1) Please refer to the section "Reconciliation of non-IFRS financial measures". (2) Before \$27.8 million goodwill impairment (after tax \$25.5 million) in Q2 2014.

## ABOUT TRANSFORCE

### Services

TransForce is a North American leader in the transportation and logistics industry, operating across Canada and the United States through its subsidiaries. TransForce creates value for shareholders by identifying strategic acquisitions and managing a growing network of wholly-owned operating subsidiaries. Under the TransForce umbrella, companies benefit from financial and operational resources to build their businesses and increase their efficiency. TransForce companies service the following segments:

- Package and Courier;
- Less-Than-Truckload;
- Truckload, which includes specialized truckload and dedicated services;
- Specialized Services, which include waste management, logistics services and rig moving services.

### Seasonality of operations

The activities conducted by the Company are subject to general demand for freight transportation. Historically, demand has been relatively stable with the first quarter being generally the weakest in terms of demand, both the second and third quarters being stronger, and the fourth quarter being the strongest. Furthermore, during the harsh winter months, fuel consumption and maintenance costs tend to rise.

### Human resources

The Company's workforce totals 20,800. This comprises 13,300 employees and 7,500 independent contractors who work in TransForce's different business segments across North America. This compares to 14,510 employees and 7,680 independent contractors as at June 30, 2013. The number of employees decreased year-over-year by 1,210. This resulted from rationalizations affecting 1,680 employees, as well as a reduction of 950 positions consequent to the sale of the personnel agency in January 2014; these decreases were offset by the acquisitions, mainly E.L. Farmer, Clarke and Vitran, that added 1,420 employees. The Company considers that it has a relatively low turnover rate among its employees and that employee relations are very good. A number of these employees are subject to collective agreements.

### Equipment

The Company has the largest trucking fleet in Canada and a presence in the U.S. market. As at June 30, 2014, the Company had 11,740 power units (including 7,500 independent contractors) and 12,460 trailers. This includes 1,090 trailers leased to third parties by the Company's fleet management services. This compares to 12,060 power units (including 7,680 independent contractors) and 11,300 trailers as at June 30, 2013.

### Service centers

TransForce's head office is in Montréal, Québec and its executive office is located in Etobicoke, Ontario. As at June 30, 2014, the Company had 409 service centers. Of these, 311 are located in Canada, 172 and 139 respectively in Eastern and Western Canada. The Company also had 98 terminals in the United States. This compares to 436 terminals as at June 30, 2013. Acquisitions brought 57 new terminals, mainly from E.L. Farmer, Clarke and Vitran. The terminal consolidation achieved in the last twelve months decreased the total number of service centers by 84, mainly in Package and

Courier, Less-Than-Truckload ("LTL") and rig moving services segments.

### Customers

The Company has a diverse customer base operating across a broad cross-section of industries with no single client accounting for more than 10% of consolidated revenue. Because of its customer diversity, as well as the wide geographic scope of the Company's service offering and the range of segments in which it operates, a downturn in the activities of individual customers or customers in a particular industry is not expected to have a material adverse impact on the operations of the Company. The Company concluded strategic partnerships with other transport companies in order to extend its service offering to customers across North America.

Revenue by Top Customers' Industry (56% of total revenue)	
Retail	26%
Energy	15%
Manufactured Goods	10%
Services	8%
Waste Management	7%
Automotive	7%
Forest Products	6%
Food & Beverage	5%
Metals & Mining	4%
Building Materials	3%
Chemicals & Explosives	2%
Maritime Containers	2%
Others	5%

(As of June 30, 2014)

## CONSOLIDATED RESULTS

*This section provides general comments on the consolidated results of operations. A more detailed analysis is provided in the "Segmented results" section.*

### 2014 significant business acquisitions

In line with the Company's growth strategy, on January 1, 2014, the Company acquired all of the shares of Clarke Transport Inc. and of Clarke Road Transport Inc., two subsidiaries of Clarke Inc. Clarke Transport Inc., a fully integrated provider of less-than-truckload intermodal transportation services, operates a network of 15 terminals across Canada. Clarke Road Transport Inc. offers regular and specialized truckload transportation services. The acquisition is

expected to generate annual revenues of approximately \$190 million.

On March 26, 2014, TransForce completed the acquisition of Vitran Corporation Inc. ("Vitran") pursuant to which it has acquired all of the issued and outstanding shares of Vitran not already owned by TransForce at a price of US\$6.50 per share in cash. Vitran, a fully integrated provider of LTL intermodal transportation services, is expected to add \$200 million in revenue.

### Business disposition in the logistics services

At the beginning of the year, the Company disposed of its personnel agency, Unique Personnel Services, included in its logistics services resulting in a pre-tax gain of \$1.1 million. 2013 total revenue from that operation was \$45.5 million and the margins were positive but limited.

The impacts of these acquisitions and the disposition on the Company's financial position and financial performance are disclosed in the relevant sections of this MD&A.

### Q2 Overview

TransForce delivered strong second quarter results. Total revenue increased mainly from acquisitions, while EBIT, before impairment, significantly increased on operating improvements and positive contributions from both the Clarke and Vitran operating divisions. As a result of modifications to the composition of reportable segments, which are detailed in the Segmented Results section of this MD&A, the Company completely depreciated the goodwill of its rig moving services operating segment, recording a pre-tax impairment of \$27.8 million (after tax \$25.5 million).

The Company also benefited from the U.S. dollar appreciation. Compared with last year's same quarter, the average U.S. exchange rate was C\$0.0674 higher. Given the Company's estimated net annual U.S. dollar cash flow of approximately \$172 million, the Company estimated the EBIT to improve by approximately \$2.9 million in its second quarter.

As always, management's priorities are to further improve operating efficiency and asset utilization, as well as generate a strong cash flow.

### Revenue

For the second quarter ended June 30, 2014, total revenue increased \$96.8 million, or 12%, to \$889.1 million from \$792.3 million in Q2 2013. The increase is mainly due to the contribution of the two significant business acquisitions, which generated \$102.3 million of total revenue. Growth in the Waste Management segment, higher fuel surcharge and the higher U.S. dollar were offset by the revenue declines from the personnel agency business disposition and the lower revenue in the rig moving services.

For the six-month period ended June 30, 2014, total revenue increased \$117.6 million, or 8%, to \$1.66 billion. The increase is mainly due to the contribution of the two significant business acquisitions, which were offset by the revenue declines from the personnel agency business disposition and the lower revenue in the rig moving services.

### Operating expenses

*The Company's operating expenses include: a) materials and services*

*expenses, which are primarily costs related to independent contractors and vehicle operation; vehicle operation expenses, which primarily include fuel, repairs and maintenance, insurance, permits and operating supplies; b) personnel expenses; c) other operating expenses, which are primarily composed of costs related to the rental of offices and terminals, taxes, heating, telecommunications, maintenance, security and other general expenses; and d) depreciation and amortization.*

For the second quarter, the Company's total operating expenses increased \$79.6 million from \$730.0 million in 2013 to \$809.6 million in 2014. Excluding significant acquisitions and the business disposition, total operating expenses decreased \$3.0 million, or 0.4%. Active measures have been undertaken to cut costs and adjust the demand. Furthermore, excluding significant acquisitions and the business disposition, rationalization and terminal optimization resulted in personnel expenses decreases of \$8.9 million, while material and services expenses increased \$13.6 million on higher usage of independent contractors and third party agents. This continuing transition to subcontracting reduces the need for capital. It also contributed to a decrease in other operating expenses, such as expenses related to the rental of offices and terminals. On a consolidated level, the operating ratio improved to 91.1% in this quarter, compared to 92.1% for Q2 2013 as a result of higher operating margins from all segments. Margin improvements in the Package and Courier and LTL segments were the highest.

For the six-month period ended June 30, 2014, excluding the gain on sale of business, the Company's total operating expenses increased \$112.8 million to \$1.55 billion in 2014. The increase is mainly due to the significant acquisitions and the business disposition. The improved operational efficiency generated in Q2 somewhat erased the poor Q1 results, which were affected by the bad weather, leaving the operating ratio at 93.3%, virtually unchanged from last year's same period.

### Depreciation and amortization

For the three- and six-month periods ended June 30, 2014, depreciation of property and equipment decreased by \$2.2 million and \$4.1 million, respectively, due to a lower rig moving asset base. This action plan is directly attributable to the Company's continued commitment to strict capital management and monitoring of low return on capital performance's operations.

For the three- and six-month periods ended June 30, 2014, intangible asset amortization decreased by \$1.5 million and \$2.8 million, respectively, mainly due to the intangible asset impairment recorded in Q4 2013 in the rig moving services.

### Impairment of intangible assets

In the second quarter of 2014, a pre-tax asset impairment charge of \$27.8 million was accounted for in the consolidated statement of comprehensive income. This non-cash impairment charge is associated to the rig moving services operating segment.

As a result of modifications to the composition of its operating segments on April 1<sup>st</sup>, 2014, the Company's goodwill allocated to its operating segments, which represents the lowest level within the

Company at which the goodwill is monitored for internal management purposes, had to be reallocated based on the relative values of the cash-generating units affected by the modifications.

Following the reallocation of its goodwill, the Company performed a goodwill impairment test on the rig moving services operating segment and the results determined that the carrying value of the Company's rig moving services operating segment exceeded its recoverable amount, requiring the complete depreciation of this segment's goodwill in the amount of \$27.8 million.

## Income from operating activities (EBIT)

### Second quarter

TransForce's income from operating activities ("EBIT"), before impairment, increased \$17.2 million to \$79.5 million in Q2 2014 compared to \$62.3 million for Q2 2013. This increase is attributable to operating improvements of existing operations and the estimated \$2.9 million favourable impact of the U.S. dollar appreciation, for a total of \$9.3 million and positive contributions from both the Clarke and Vitran operating divisions for \$8.0 million.

## Finance income and costs

(unaudited) (in thousands of dollars)	Second quarters ended June 30			Six months ended June 30		
	2014	2013	Variance	2014	2013	Variance
Finance costs (income)						
Interest expense on long-term debt	9,845	10,289	(444)	18,061	20,722	(2,661)
Accelerated accretion expense on conversion of debentures	-	-	-	5,557	-	5,557
Reclassification to income of accumulated unrealized gain on investment in equity securities of Vitran Corporation Inc.	-	-	-	(6,245)	-	(6,245)
Net foreign exchange (gain) loss	(14,403)	13,699	(28,102)	(674)	21,925	(22,599)
Change in fair value of foreign exchange derivatives	(3,679)	1,326	(5,005)	321	948	(627)
Change in fair value of interest rate derivatives	2,040	(293)	2,333	3,257	(682)	3,939
Other financial expenses	2,299	894	1,405	3,075	2,301	774
<b>Net finance (income) costs</b>	<b>(3,898)</b>	<b>25,915</b>	<b>(29,813)</b>	<b>23,352</b>	<b>45,214</b>	<b>(21,862)</b>

### Interest expense on long-term debt and accelerated accretion

For the three- and six-month periods ended June 30, 2014, interest expense on long term-debt decreased \$0.4 million and \$2.7 million respectively, mainly due to lower average interest costs. The decrease in the Company's average borrowing rate is attributable to the conversion of its 6% convertible debentures in Company's shares for \$118.2 million in Q1 2014.

The announcement, on January 3, 2014, of the Company's intention to redeem its 6% convertible debentures resulted in the revaluation of these debentures at fair value. This resulted in an accelerated accretion expense of \$5.6 million during the first quarter representing the total unamortized financing fees as at the date of the announcement.

### Reclassification to income of accumulated unrealized gain on investment in equity securities of Vitran

As a result of the acquisition of control of Vitran in Q1 2014, the cumulative \$6.2 million fair value pre-tax gain recorded to other comprehensive income related to the Vitran shares previously held, has been reclassified to profit or loss in Q1 2014.

As a percentage of revenue, EBIT margin, before impairment, increased to 8.9%, up 1.0 percentage point on a year-over-year basis.

### Six-month period

TransForce's EBIT, before impairment, increased \$5.9 million to \$112.7 million for the six-month period ended June 30, 2014. This increase is attributable to a positive contribution from the significant acquisitions, which generated \$8.6 million in the first six months of 2014.

Again, Q2 strong results from existing operations offset the Q1 results, which were negatively impacted by the bad weather. This rapid return to more acceptable performance is the result of the Company's continuous focus on costs control and its past actions to optimize its existing and newly acquired businesses within its network.

As a percentage of revenue, year-over-year EBIT margin remained stable at 6.8%.

### Net foreign exchange gain or loss

The Company's net foreign exchange gain or loss for 2014 and 2013 is mainly attributable to the portion of the revolving facility denominated in U.S. dollars (US\$422.4 million at June 30, 2014, US\$364.0 million at December 31, 2013).

### Income tax expense

For the quarter ended June 30, 2014, the effective tax rate was 32.9%. The income tax expense of \$18.3 million reflected a \$3.4 million unfavourable variance versus an anticipated income tax expense of \$14.9 million based on the Company's statutory tax rate of 26.9%. The unfavourable variance is mainly due to negative prior-year adjustments of \$2.3 million and to non-deductible expenses of \$7.1 million. Non-deductible expenses are mainly composed of the goodwill impairment, for which \$22.0 million, out of the \$27.8 million charge, had no tax basis. These negative variances were offset by positive differences between the statutory rate and the effective rates in other jurisdictions of \$4.4 million and tax exempt income, mainly capital gains, for \$1.8 million.

For the six-month period ended June 30, 2014, the effective tax rate was 29.8%. The income tax expense of \$18.3 million reflected a \$1.8



million unfavourable variance versus an anticipated income tax expense of \$16.5 million based on the Company's statutory tax rate of 26.9%. The unfavourable variance is mainly due to negative prior-year adjustments of \$2.7 million and to non-deductible expenses of \$9.7 million. Non-deductible expenses are mainly composed of the non-deductible goodwill impairment. These variances were offset by positive differences between the statutory rate and the effective rates in other jurisdictions of \$6.6 million and tax exempt income, mainly capital gains, for \$4.0 million.

### Net income

For the three-month period ended June 30, 2014, TransForce's net income amounted to \$37.3 million compared to \$26.6 million in Q2 2013, an increase of \$10.7 million or 40% over last year's same quarter. This increase was mainly attributable to the stronger income from operating activities as evidenced by the year-over-year variance in the Company's adjusted net income, which excludes the after tax impact of the foreign exchange gain or loss, the change in fair value of

derivatives and the impairment charge. Thus, the Company's adjusted net income was \$49.1 million for the three-month period ended June 30, 2014 compared to \$39.2 million in Q2 2013, up 25% or \$9.8 million on better operating income. The adjusted earnings per share, fully diluted, increased 20% to \$0.48.

For the six-month period ended June 30, 2014, TransForce's net income amounted to \$43.2 million compared to \$45.4 million in 2013. The Company's adjusted net income was \$70.8 million for the six-month period ended June 30, 2014 compared to \$64.7 million in 2013, an increase of \$6.1 million year-over-year. The adjusted earnings per share, fully diluted, increased 6% to \$0.71.

As it has proven in the past, management is confident that its recent actions to rationalize its network and increase the efficiency of its operations will generate better margins.

## SEGMENTED RESULTS

For the purpose of this section, "EBIT" and "EBITDA" refer to the same definitions as in the section "Reconciliation of non-IFRS financial measures" for the consolidated results. Also, to facilitate the comparison of business level activity and operating costs between periods, the Company compares the revenue before fuel surcharge ("revenue") and reallocates the fuel surcharge revenue to materials and services expenses within operating expenses. Note that "Total revenue" is not affected by this reallocation.

### Selected segmented financial information<sup>(1)</sup>

(unaudited) (in thousands of dollars)	Package and Courier	Less- Than- Truckload	Truckload	Waste Management	Other segments	Corporate	Eliminations	Total
<b>Q2 2014</b>								
Total revenue	323,427	248,481	207,530	48,933	76,334	-	(15,628)	889,077
EBITDA	35,913	26,252	25,383	16,809	9,528	(6,591)	-	107,294
EBIT	27,285	20,056	20,179	12,058	6,853	(6,970)	-	79,461
% of total revenue <sup>(2)</sup>	36%	28%	23%	5%	8%			100%
EBIT margin	8.4%	8.1%	9.7%	24.6%	9.0%			8.9%
Net capital expenditures <sup>(3)</sup>	1,507	(35,134)	1,780	6,621	(17,453)	378		(42,301)

### Q2 2013 (restated)

Total revenue	327,771	168,754	171,011	39,975	100,360	-	(15,618)	792,253
EBITDA	32,515	17,382	21,255	14,544	8,411	(958)	-	93,149
EBIT	23,401	12,304	15,377	9,708	2,684	(1,204)	-	62,270
% of total revenue <sup>(2)</sup>	41%	21%	21%	5%	12%			100%
EBIT margin	7.1%	7.3%	9.0%	24.3%	2.7%			7.9%
Net capital expenditures <sup>(4)</sup>	2,926	(10,303)	1,991	2,091	(7,373)	185		(10,483)

### YTD 2014

Total revenue	630,046	430,175	397,766	83,729	150,002	-	(32,163)	1,659,555
EBITDA	57,841	34,295	41,536	27,944	13,831	(11,401)	-	164,046
EBIT	40,259	24,490	30,650	18,968	10,388	(12,049)	-	112,706
% of total revenue <sup>(2)</sup>	37%	25%	24%	5%	9%			100%
EBIT margin	6.4%	5.7%	7.7%	22.7%	6.9%			6.8%
Total assets	637,170	724,299	442,445	315,049	186,811	24,917		2,330,691
Net capital expenditures <sup>(3)</sup>	8,712	(44,335)	2,685	12,439	(33,512)	583		(53,428)

### YTD 2013 (restated)

Total revenue	632,356	320,898	335,270	72,185	210,181	-	(28,914)	1,541,976
EBITDA	58,364	28,176	37,788	25,596	18,316	(5,761)	-	162,479
EBIT	40,758	24,958	25,948	16,230	5,116	(6,175)	-	106,835
% of total revenue <sup>(2)</sup>	40%	21%	21%	5%	13%			100%
EBIT margin	6.4%	7.8%	7.7%	22.5%	2.4%			6.9%
Total assets	633,694	498,091	375,488	246,794	339,910	23,869		2,117,846
Net capital expenditures <sup>(4)</sup>	4,797	(22,775)	3,121	4,552	(6,994)	866		(16,433)

(1) Before impairment of assets in Other segments – rig moving services. (2) Before eliminations. (3) LTL negative net capital expenditures are due to the sale of a rental property in Calgary for a consideration of \$12.2 million in Q1 2014 and to the sale and leaseback of a terminal located in Concord, Ontario, for \$32.0 million in Q2 2014. In Other segments – rig moving services, equipment and assets held for sale have been sold for an aggregate consideration of \$15.9 million and \$17.4 million in Q1 and Q2 2014, respectively. (4) LTL negative net capital expenditures are due to the sale and leaseback of a terminal located in Dorval, Québec, for \$18.4 million in Q1 2013 and the disposition of two properties in Q2 2013 for \$11.9 million. In Other segments – rig moving services, excess equipment has been sold for an aggregate consideration of \$7.0 million in Q2.

### 2013 restated segmented financial information

The Company operates within the transportation and logistics industry in Canada and the United States in different reportable segments. Effective April 1, 2014, the composition of reportable segments has been modified to reflect changes in the structure of the Company's internal organization. The newly adopted presentation continues to show separately the operating segments that are managed independently as they require different technology and capital resources. In addition, the current presentation reflects the nature of services for all of the operating segments whereas prior presentation for the Specialized Services – services to the energy sector operating segment was mainly based on the type of customer. The Company's management believes that the newly adopted presentation better enables users of its financial statements to evaluate the nature and financial effects of the business

activities in which it engages and the economic environments in which it operates.

Consequently, the most significant modifications are the distinct disclosure of the Waste Management segment, previously included in Specialized Services – other services, and the transfer of trucking operating divisions from Specialized Services – services to the energy sector, mostly to TL. Other segments now include logistics services and rig moving services, which is only composed of the U.S. rig moving operation, TForce Energy Services.

<b>(unaudited) (in thousands of dollars)</b>	<b>Package and Courier</b>	<b>Less- Than- Truckload</b>	<b>Truckload</b>	<b>Waste Management</b>	<b>Other segments</b>	<b>Corporate</b>	<b>Eliminations</b>	<b>Total</b>
<b>Q1 2013</b>								
Total revenue	304,585	152,144	164,259	32,210	109,821	-	(13,296)	749,723
EBITDA	25,849	10,794	16,533	11,052	9,905	(4,803)	-	69,330
EBIT	17,357	12,654	10,571	6,522	2,432	(4,971)	-	44,565
% of total revenue <sup>(1)</sup>	40%	20%	22%	4%	14%			100%
EBIT margin	5.7%	8.3%	6.4%	20.2%	2.2%			5.9%
Total assets	643,464	516,052	382,794	245,177	362,940	15,887		2,166,314
Net capital expenditures <sup>(2)</sup>	1,871	(12,472)	1,130	2,461	379	681		(5,950)

<b>Q2 2013</b>								
Total revenue	327,771	168,754	171,011	39,975	100,360	-	(15,618)	792,253
EBITDA	32,515	17,382	21,255	14,544	8,411	(958)	-	93,149
EBIT	23,401	12,304	15,377	9,708	2,684	(1,204)	-	62,270
% of total revenue <sup>(1)</sup>	41%	21%	21%	5%	12%			100%
EBIT margin	7.1%	7.3%	9.0%	24.3%	2.7%			7.9%
Total assets	633,694	498,091	375,488	246,794	339,910	23,869		2,117,846
Net capital expenditures <sup>(3)</sup>	2,926	(10,303)	1,991	2,091	(7,373)	185		(10,483)

<b>Q3 2013</b>								
Total revenue	315,831	165,020	167,257	43,096	101,906	-	(17,995)	775,115
EBITDA	29,561	18,540	21,150	16,647	8,500	(4,159)	-	90,239
EBIT	20,666	13,702	15,024	12,032	1,988	(4,403)	-	59,009
% of total revenue <sup>(1)</sup>	40%	21%	21%	5%	13%			100%
EBIT margin	6.5%	8.3%	9.0%	27.9%	2.0%			7.6%
Total assets	634,033	495,914	405,636	267,536	325,894	18,951		2,147,964
Net capital expenditures <sup>(4)</sup>	3,385	2,125	(39)	15,359	(4,222)	10		16,618

<b>Q4 2013</b>								
Total revenue	329,276	163,744	182,034	41,497	91,657	-	(15,653)	792,555
EBITDA	28,283	8,855	19,008	16,650	6,039	(2,519)	-	76,316
EBIT <sup>(5)</sup>	18,878	2,189	13,433	12,165	(395)	(2,761)	-	43,509
% of total revenue <sup>(1)</sup>	41%	20%	23%	5%	11%			100%
EBIT margin <sup>(5)</sup>	5.7%	1.3%	7.4%	29.3%	-0.4%			5.5%
Total assets	632,322	478,381	400,399	259,645	254,573	39,282		2,064,602
Net capital expenditures	5,753	1,566	1,680	3,766	(2,070)	15		10,710

<b>Total 2013</b>								
Total revenue	1,277,463	649,662	684,561	156,778	403,744	-	(62,562)	3,109,646
EBITDA	116,208	55,571	77,946	58,893	32,855	(12,439)	-	329,034
EBIT <sup>(5)</sup>	80,302	40,849	54,405	40,427	6,709	(13,339)	-	209,353
% of total revenue <sup>(1)</sup>	40%	20%	22%	5%	13%			100%
EBIT margin <sup>(5)</sup>	6.3%	6.3%	7.9%	25.8%	1.7%			6.7%
Total assets	632,322	478,381	400,399	259,645	254,573	39,282		2,064,602
Net capital expenditures	13,935	(19,084)	4,762	23,677	(13,286)	891		10,895

(1) Before eliminations. (2) LTL negative net capital expenditures are due to the sale and leaseback of a terminal located in Dorval, Québec, for \$18.4 million in Q1 2013.

(3) LTL negative net capital expenditures are due to the disposition of two properties in Q2 2013 for \$11.9 million. In the rig moving services, excess equipment has been sold for an aggregate consideration of \$7.0 million in Q2 2013. (4) In the rig moving services, excess equipment has been sold for an aggregate consideration of \$5.3 million in Q3 2013. (5) Before Q4 2013 impairment of intangible assets in Other segments – rig moving services.

## Q1 2014 restated segmented financial information

(unaudited) (in thousands of dollars)	Package and Courier	Less- Than- Truckload	Truckload	Waste Management	Other segments	Corporate	Eliminations	Total
Q1 2014								
Total revenue	306,619	181,694	190,236	34,796	73,668	-	(16,535)	770,478
EBITDA	21,928	8,043	16,153	11,135	4,303	(4,810)	-	56,752
EBIT	12,974	4,434	10,471	6,910	3,535	(5,079)	-	33,245
% of total revenue	39%	23%	24%	5%	9%			100%
EBIT margin	4.2%	2.4%	5.5%	19.9%	4.8%			4.3%
Total assets	628,789	752,134	444,335	270,836	237,281	35,389		2,368,764
Net capital expenditures	7,205	(9,201)	905	5,818	(16,059)	205		(11,127)

## Package and Courier

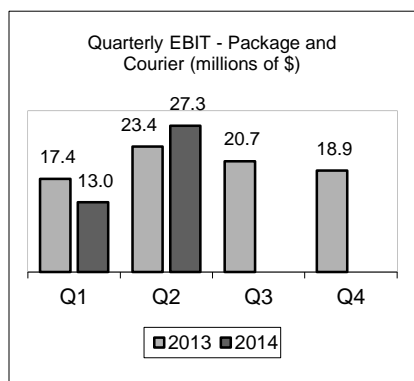
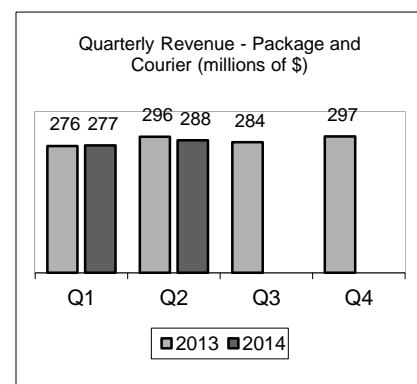
(unaudited) (in thousands of dollars)	Second quarters ended June 30			Six months ended June 30		
	2014	2013	Variance	2014	2013	Variance
Total revenue	323,427	327,771	(1%)	630,046	632,356	(0%)
Fuel surcharge	(34,954)	(32,151)	9%	(64,933)	(61,210)	6%
<b>Revenue</b>	<b>288,473</b>	<b>295,620</b>	<b>(2%)</b>	<b>565,113</b>	<b>571,146</b>	<b>(1%)</b>
Materials and services expenses (net of fuel surcharge)	156,962	161,154	(3%)	313,199	313,916	(0%)
Personnel expenses	69,847	74,686	(6%)	141,408	146,359	(3%)
Other operating expenses	25,751	27,265	(6%)	52,665	52,507	0%
<b>EBITDA</b>	<b>35,913</b>	<b>32,515</b>	<b>10%</b>	<b>57,841</b>	<b>58,364</b>	<b>(1%)</b>
Depreciation of property and equipment	4,585	4,474	2%	9,163	8,865	3%
Amortization of intangible assets	4,412	4,638	(5%)	8,825	8,727	1%
(Gain) Loss on sale of property and equipment	(369)	2		(406)	14	
<b>EBIT</b>	<b>27,285</b>	<b>23,401</b>	<b>17%</b>	<b>40,259</b>	<b>40,758</b>	<b>(1%)</b>
EBIT margin (% of total revenue)	8.4%	7.1%		6.4%	6.4%	

## Revenue

During the three- and six-month periods ended June 30, 2014, revenues were down \$7.1 million or 2% and \$6.0 million or 1%, respectively, due to the non-renewal of unprofitable business from Velocity's customers in U.S. same-day services, offset by a favorable foreign exchange impact on the conversion of revenue of the segment's U.S. operating divisions. The segment's operating divisions continued to implement pricing actions on low margin customers to increase profitability while at the same time focusing on a strategy of sourcing and servicing customers in new markets, in particular E-Commerce in the U.S., to mitigate the decline in its traditional industries (i.e. entertainment, book and retail).

## Operating expenses

During the three- and six-month periods ended June 30, 2014, the decrease in operating expenses from Package and Courier activities are mainly attributable to the decrease in revenues and IT and telecommunication savings offset by an unfavorable foreign exchange impact on the conversion of expenses of the segment's U.S. operating divisions. The segment's operating expenses before depreciation declined by \$10.6 million or 4% during the three-month period ended June 30, 2014 compared to 2013, thereby increasing the segment's EBITDA by \$3.4 million or 10% to \$35.9 million for the same period. Operating expenses before depreciation declined by \$5.5 million or 1% during the six month period ended June 30, 2014 compared to 2013 resulting in an EBITDA of \$57.8 million, consistent with the same period year-over-year. The Company expects to generate \$3.0 million of additional annual savings when leases relating to excess facility space expire, mostly by the end of 2014.



## EBIT

EBIT for the three-month period ended June 30, 2014, for the Package and Courier segment increased 17% to \$27.3 million and the EBIT margin increased to 8.4%, up 1.3 percentage points from last year's same period results and remained consistent year-over-year at 6.4% in 2014.

The operating results in the second quarter of 2014 show improvement over quarter one as strategic plans continue to be executed in the Company's same-day services operations in the U.S. and continued efforts in productivity improvements and cost controls continue across all operating divisions.



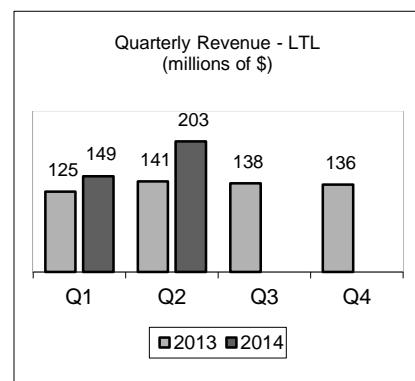
## Less-Than-Truckload

(unaudited) (in thousands of dollars)	Second quarters ended June 30			Six months ended June 30		
	2014	2013	Variance	2014	2013	Variance
Total revenue	248,481	168,754	47%	430,175	320,898	34%
Fuel surcharge	(45,017)	(27,600)	63%	(77,452)	(54,752)	41%
<b>Revenue</b>	<b>203,464</b>	<b>141,154</b>	<b>44%</b>	<b>352,723</b>	<b>266,146</b>	<b>33%</b>
Materials and services expenses (net of fuel surcharge)	101,416	58,386	74%	173,503	108,175	60%
Personnel expenses	62,202	55,327	12%	118,237	109,032	8%
Other operating expenses	13,594	10,059	35%	26,688	20,763	29%
<b>EBITDA</b>	<b>26,252</b>	<b>17,382</b>	<b>51%</b>	<b>34,295</b>	<b>28,176</b>	<b>22%</b>
Depreciation of property and equipment	6,581	5,989	10%	12,631	12,047	5%
Amortization of intangible assets	1,753	1,000	75%	3,091	2,012	54%
Gain on sale of property and equipment	(2,138)	(1,911)		(5,917)	(10,841)	
<b>EBIT</b>	<b>20,056</b>	<b>12,304</b>	<b>63%</b>	<b>24,490</b>	<b>24,958</b>	<b>(2%)</b>
EBIT margin (% of total revenue)	8.1%	7.3%		5.7%	7.8%	

During the first quarter of 2014, TransForce acquired two new businesses in the LTL segment. On January 1, 2014, part of the Clarke acquisition, Clarke Transport Inc. was added to this segment's results. Also, on March 26, 2014, the Company completed the acquisition of Vitran. These two operations are expected to generate \$115 million and \$200 million, respectively, in annual revenue.

### Revenue

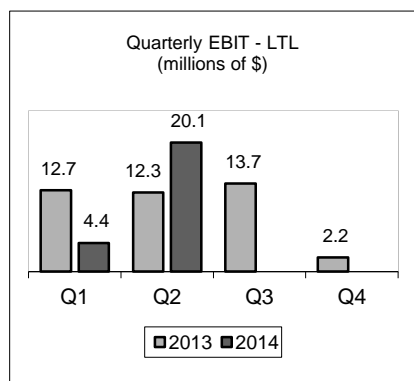
For the three-month period ended June 30, 2014, revenue from the LTL segment increased 44% to \$203.5 million. The \$62.3 million increase is attributable to the acquisitions. Before acquisitions, the volume of freight was slightly lower on a year-over-year basis; however, yield trended slightly higher, partially due to the U.S. dollar appreciation. Management is encouraged by this upward trend. For the six-month period ended June 30, 2014, revenue increased 33% to \$352.7 million, mainly from acquisitions.



### Operating expenses

In Q2 2014, total operating expenses before depreciation increased by \$53.4 million or 43% compared to Q2 2013. The increase is mainly due to acquisitions. Excluding acquisitions, total operating expenses before depreciation decreased by \$4.6 million or 4% compared to Q2 2013. Terminal consolidation and closures that took place mainly in Western Canada generated significant savings in personnel expenses (\$4.5 million) and real estate related costs (\$0.6 million). Also before acquisitions, accident and claim cost decreased by \$0.5 million. For a second consecutive quarter, margins improved but are still underperforming. Nevertheless, consolidation reduced the number of equipment, terminals and administrative employees, thus reducing fixed costs and providing a more efficient cost structure going forward.

For the three- and six-month periods ended June 30, 2014, depreciation of property and equipment and amortization of intangible assets increased due to the acquisitions.



### EBIT

The Company sold a rental property in Calgary for a consideration of \$12.2 million in Q1 2014, which generated a \$3.8 million gain, and completed a sale and leaseback of a terminal located in Concord, Ontario, for \$32.0 million in Q2 2014, which did not generate any gain as this asset was part of the Vitran acquisition. The Company completed a sale and leaseback transaction, in Q1 2013, of a terminal located in Dorval, Québec for a consideration of \$18.4 million, and disposed of two properties, in Q2 2013, for \$11.9 million, which generated gains of \$9.1 million and \$2.1 million in Q1 and Q2 2013, respectively.

For the three-month period ended June 30, 2014, EBIT increased \$7.8 million to \$20.1 million from \$12.3 million in Q2 2013. The recent acquisitions contributed \$6.1 million to the Q2 2014. Excluding acquisitions and gain on sale of property and equipment, EBIT increased by \$1.6 million or 0.8% as a percentage of revenue.

For the six-month period ended June 30, 2014, EBIT decreased \$0.5 million to \$24.5 million. Year-over-year, the \$6.3 million contribution from acquisitions was offset by the EBIT decline realized in Q1 from existing operations.

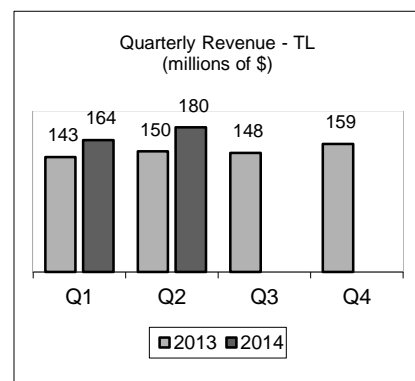
## Truckload

(unaudited) (in thousands of dollars)	Second quarters ended June 30			Six months ended June 30		
	2014	2013	Variance	2014	2013	Variance
Total revenue	207,530	171,011	21%	397,766	335,270	19%
Fuel surcharge	(27,843)	(20,980)	33%	(54,291)	(41,877)	30%
<b>Revenue</b>	<b>179,687</b>	<b>150,031</b>	<b>20%</b>	<b>343,475</b>	<b>293,393</b>	<b>17%</b>
Materials and services expenses (net of fuel surcharge)	112,538	92,725	21%	219,342	185,239	18%
Personnel expenses	36,032	31,429	15%	71,097	61,002	17%
Other operating expenses	5,734	4,622	24%	11,500	9,364	23%
<b>EBITDA</b>	<b>25,383</b>	<b>21,255</b>	<b>19%</b>	<b>41,536</b>	<b>37,788</b>	<b>10%</b>
Depreciation of property and equipment	4,810	5,224	(8%)	9,974	10,625	(6%)
Amortization of intangible assets	870	854	2%	1,754	1,607	9%
Gain on sale of property and equipment	(476)	(200)		(842)	(392)	
<b>EBIT</b>	<b>20,179</b>	<b>15,377</b>	<b>31%</b>	<b>30,650</b>	<b>25,948</b>	<b>18%</b>
EBIT margin (% of total revenue)	9.7%	9.0%		7.7%	7.7%	

On January 1, 2014, part of the Clarke acquisition, Clarke Road Transport Inc. was added to this segment's results. This division is expected to generate \$65 million in annual revenue.

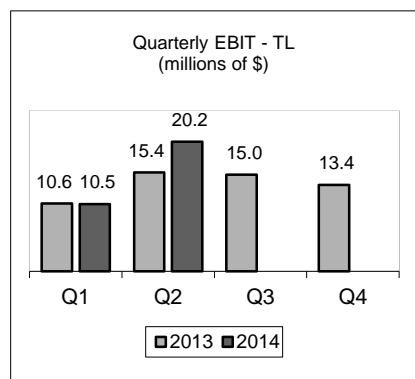
### Revenue

For the three-month period ended June 30, 2014, Truckload ("TL") revenue increased 20% to \$179.7 million from \$150.0 million in Q2 2013. The \$29.7 million increase is attributable to the Clarke acquisition for \$15.0 million and the \$14.6 million contribution from E.L. Farmer, acquired in August of last year. Revenue from existing TL operations was stable at \$150.0 million year-over-year. However, the Company has seen its prices trending higher compared to last year's same period. Shippers are more inclined to consider proposed price increases as they want to secure freight availability. For the six-month period ended June 30, 2014, TL revenue increased 17% to \$343.5 million. The \$50.1 million increase is mainly attributable to the two business acquisitions. Before acquisitions, revenue was down 2.4% or \$6.9 million, reflecting bad weather in Q1.



### Operating expenses

Mainly due to the acquisitions, operating expenses before depreciation from TL activities for Q2 2014 were up \$25.5 million or 20%, to \$154.3 million, from Q2 2013. Year-over-year, operating expenses before depreciation were generally stable in percentage of revenue. In comparison to 2013, depreciation of property and equipment for the three-month period ended June 30, 2014 decreased 8% or \$0.4 million. Given that TL revenue increased 20% from acquisitions, this decrease in depreciation proved the Company's commitment to reduce its capital expenditures and to favor use of independent contractors and leased equipment to services its clientele. Thus, total operating expenses decreased almost one percentage point as a percentage of revenue. Continuous cost-reduction efforts and asset rationalization mitigated the weak economic fundamentals faced in the last two years in the traditional trucking market. The Company is not looking to add more capacity to serve its current clientele as the priority is to improve the efficiency and profitability of its existing fleet and network of independent contractors. For the six-month period ended June 30, 2014, operating expenses were up \$45.4 million or 17%, to \$312.8 million.



### EBIT

The Company's EBIT in the TL segment for the three-month period ended June 30, 2014 increased \$4.8 million, to \$20.2 million compared to \$15.4 million in Q2 2013. The EBIT margin was 9.7%, up 0.7 percentage point from Q2 2013. For the six-month period ended June 30, 2014, EBIT increased 18% to \$30.7 million and the EBIT margin was stable at 7.7%.

The Company is confident that rigorous management will protect the TL segment's margins and improve its profitability.

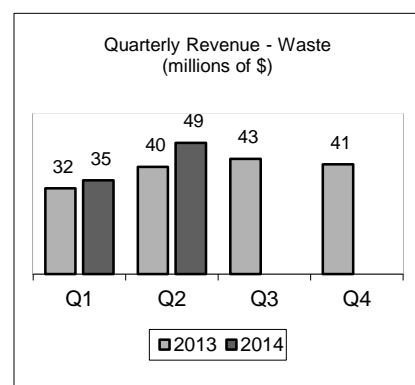
## Waste Management

(unaudited) (in thousands of dollars)	Second quarters ended June 30			Six months ended June 30		
	2014	2013	Variance	2014	2013	Variance
<b>Total Revenue</b>	<b>48,933</b>	39,975	22%	<b>83,729</b>	72,185	16%
Materials and services expenses	21,232	16,185	31%	36,185	29,096	24%
Personnel expenses	9,200	7,826	18%	16,196	14,427	12%
Other operating expenses	1,692	1,420	19%	3,404	3,066	11%
<b>EBITDA</b>	<b>16,809</b>	14,544	16%	<b>27,944</b>	25,596	9%
Depreciation of property and equipment	3,690	3,515	5%	6,878	6,734	2%
Amortization of intangible assets	1,060	1,322	(20%)	2,124	2,643	(20%)
(Gain) loss on sale of property and equipment	1	(1)		(26)	(11)	
<b>EBIT</b>	<b>12,058</b>	9,708	24%	<b>18,968</b>	16,230	17%
EBIT margin (% of total revenue)	<b>24.6%</b>	24.3%		<b>22.7%</b>	22.5%	

Effective June 1, 2014, Veolia Solid Waste Canada was added to this segment's results. At this date, this division had trailing twelve months revenue and EBITDA of \$30.0 million and more than \$5.0 million, respectively.

### Total revenue

For the three-month period ended June 30, 2014, total revenue from the Waste Management segment increased by 22% or \$9.0 million compared to the second quarter of 2013. For the six-month period ended June 30, 2014, total revenue increased by 16% or \$11.5 million compared to the prior year period. \$3.0 million of the increase is attributable to the acquisition. The remaining portion of the revenue growth for both reported periods is attributable to the Company's Lafleche environmental complex in Ontario with higher revenue from the landfill operation and the composting facility, as well as from the organic growth of the customer base mostly in collection and disposal operations in Quebec.



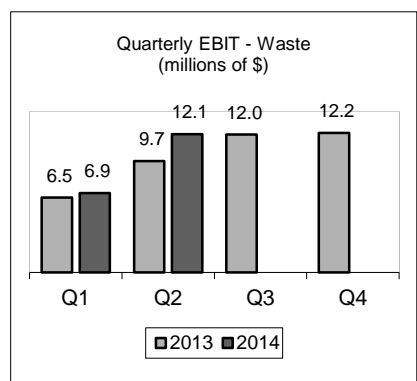
### Operating expenses

For the three-month period ended June 30, 2014, operation expenses before depreciation increased by 26% or \$6.7 million compared to the second quarter of 2013. As a percent of revenue, operating expenses before depreciation were 65.6% in the second quarter of 2014, as compared to 63.6% in Q2 2013. Materials and services expenses increased both as a percentage of revenue and dollars due to higher disposal expenses and transportation costs.

For the six-month period ended June 30, 2014, the operating expenses before depreciation increased by 20% or \$9.2 million compared to the prior year period. As a percent of revenue, operating expenses were 66.6% during the first six months of 2014, as compared to 64.5% in 2013.

For the three- and six-month periods ended June 30, 2014, the slight deterioration of the EBITDA margin is mostly attributable to the lower margins from waste collection operations.

For the three- and six-month periods ended June 30, 2014, depreciation of property and equipment slightly increased 5% and 2%, respectively, as the additional services were executed mainly with existing equipment and infrastructure.



### EBIT

The Company's EBIT in the Waste management segment for the three-month period ended June 30, 2014 was \$12.1 million, compared to \$9.7 million in the second quarter of 2013 and the EBIT margin was 24.6%, up 0.3 percentage point from the second quarter of 2013. The year-over-year margin improvement is attributable to increases in higher revenue margin from landfill and composting operations. For the six-month period ended June 30, 2014, EBIT was at \$19.0 million, compared to \$16.2 million in 2013 and the EBIT margin was stable at 22.7% compared to 2013.

## LIQUIDITY AND CAPITAL RESOURCES

### Sources and uses of cash

(unaudited) (in thousands of dollars)	Second quarters ended June 30		Six months ended June 30	
	2014	2013	2014	2013
Sources of cash:				
Net cash from operating activities before net change in non-cash operating working capital	89,410	60,306	113,584	83,458
Net change in non-cash operating working capital	-	20,321	-	11,766
Proceeds from sale of property and equipment	42,382	22,451	59,659	44,121
Proceeds from sale of assets held for sale	14,966	-	30,471	-
Increase in bank indebtedness	-	-	11,925	-
Proceeds from long-term debt	4,186	4,928	177,604	9,894
Others	-	-	5,159	-
Total sources	150,944	108,006	398,402	149,239
Uses of cash:				
Net change in non-cash operating working capital	34,272	-	34,510	-
Additions to property and equipment	15,047	11,968	36,702	27,688
Business combinations, net of cash acquired	44,847	-	191,560	23,600
Decrease in bank indebtedness	2,231	9,738	-	11,647
Repayment of long-term debt	35,747	57,240	77,918	43,781
Dividends paid	14,303	12,079	27,847	24,139
Repurchase of own shares	4,009	14,724	29,865	14,724
Others	488	2,257	-	3,660
Total usage	150,944	108,006	398,402	149,239

### Cash flow from operating activities

For the six-month period ended June 30, 2014, net cash from operating activities before net change in non-cash operating working capital increased 36% to \$113.6 million from \$83.5 million in 2013. The \$30.1 million increase is attributable to a decrease of \$28.2 million in income tax paid over last year and the higher contribution from operations in 2014 compared to 2013.

For the six-month period ended June 30, 2014, the Company's negative cash flow from its working capital amounting to \$34.5 million is mainly attributable to the higher trade and other receivable of \$35.6 million, before acquisitions, due to the increase of activities from its operations compared to December 2013. This impact is not related to collection as the Company's DSO (days sales outstanding) decreased one day during the first six months.

### Cash flow used in investing activities

#### Property and equipment

The following table presents the Company's additions to its property and equipment by category for the three- and six-month periods ended June 30, 2014 and 2013.

(unaudited) (in thousands of dollars)	Second quarters ended June 30		Six months ended June 30	
	2014	2013	2014	2013
Additions to property and equipment:				
Additions as stated on cash flows statements	15,047	11,968	36,702	27,688
Additions that did not affect cash	-	-	8,342	-
	15,047	11,968	45,044	27,688
Additions by category:				
Land and buildings	3,317	2,237	5,279	3,994
Rolling stock	8,550	7,588	18,719	18,212
Furniture and equipment	3,180	2,143	21,046	5,482
	15,047	11,968	45,044	27,688

The Company invests in new equipment to maintain its quality of service while keeping maintenance costs low. Its capital expenditures reflect the level of reinvestment required to keep its equipment in good order as well as maintain an adequate allocation of its capital resources. In line with its asset light model, increasing the use of independent contractors to replace owned equipment is beneficial for the Company as it reduces capital needs to serve customers; the Company intends to further pursue such conversion.

In 2014, higher investments in furniture and equipment included two major items. A right to use a landfill capacity obtained following a management



agreement with the Régie de la Gestion des Matières Résiduelles de la Maurice, in Quebec. This \$8.3 million addition did not have any impact on cash flow and an equivalent long term liability was recorded. The second major addition was a \$5.0 million investment project in a new conveyor system in the Burnaby terminal for Loomis Express, for which \$4.0 million was capitalized in Q1 2014.

The following table indicates the Company's proceeds from its sale of property and equipment by category for the three- and six-month periods ended June 30, 2014 and 2013.

(unaudited) (in thousands of dollars)	Second quarters ended June 30		Six months ended June 30	
	2014	2013	2014	2013
Dispositions by category:				
Land and buildings	36,141	11,925	48,361	30,325
Rolling stock	6,045	10,526	10,894	13,796
Furniture and equipment	196	-	404	-
	42,382	22,451	59,659	44,121

The Company sold a rental property in Calgary for a consideration of \$12.2 million in Q1 2014, which generated a \$3.8 million gain. The sale and leaseback of a terminal located in Concord, Ontario, for \$32.0 million in Q2 2014, did not generate any gain as this asset was part of the Vitran acquisition. The Company completed a sale and leaseback transaction, in Q1 2013, of a terminal located in Dorval, Québec for a consideration of \$18.4 million, and disposed of two properties, in Q2 2013, for \$11.9 million, which generated gains of \$9.1 million and \$2.1 million in Q1 and Q2 2013, respectively. The Company believes that it can generate in excess of \$100 million in proceeds from the sale of properties that it may choose to dispose of in the future. The aggregate carrying value of these properties is significantly lower than the expected sale proceeds.

For the six-month period ended June 30, 2014, the Company sold assets held for sale for an aggregate proceed of \$30.5 million, which generated a \$2.0 million gain. These assets were previously used in the rig moving services.

## Business acquisitions

For the six-month period ended June 30, 2014, cash used in business acquisitions totalled \$191.6 million (2013 – \$23.6 million). In line with the Company's growth strategy and as mentioned in the "2014 significant business acquisitions" section above, TransForce concluded the acquisition of Clarke Transport Inc. and of Clarke Road Transport Inc. on January 1, 2014. Clarke Transport Inc. is a fully integrated provider of LTL intermodal transportation services. Clarke Road Transport Inc. offers regular and specialized TL transportation services. Also, on March 26, 2014, TransForce completed the acquisition of Vitran, a fully integrated provider of LTL intermodal transportation services. In Q2 2014, the Company acquired the assets of Veolia Solid Waste Canada in the Waste Management services segment and Ensenda, a last mile provider of same-day services business based in California, U.S., in the Package and Courier segment.

## Free cash flow

The Company's objectives when managing its cash flow from operations are to ensure proper capital investment in order to provide stability and competitiveness to its operations, to ensure sufficient liquidity to pursue its growth strategy, and to undertake selective acquisitions within a sound capital structure and a solid financial position.

TransForce generated a free cash flow<sup>(1)</sup> of \$132.5 million in 2014 compared to \$111.7 million in 2013, which represented an increase of \$20.8 million from last year. This increase is mainly attributable to disposition of assets held for sale for a total of \$30.5 million. On a per share basis, the free cash flow for the six-month period totalled \$1.36, versus \$1.20 in 2013.

(1) Please refer to the section "Reconciliation of non-IFRS financial measures".

## Free cash flow yield

Based on the June 30, 2014 closing share price of \$24.57, the free cash flow generated by the Company in the last twelve months represented a free cash flow yield of 10.5% (9.6% for the year 2013).

## Financial position

(unaudited) (in thousands of dollars)	As at June 30, 2014	As at Dec. 31, 2013	As at Dec. 31, 2012
Total assets	2,330,691	2,064,602	2,114,123
Long-term debt	860,480	773,556	808,135
Shareholders' equity	896,869	790,817	727,365
Debt-to-equity ratio <sup>(1)</sup>	0.96	0.98	1.11
Debt-to-capital ratio <sup>(2)</sup>	0.49	0.49	0.53
Debt-to-EBITDA ratio <sup>(3)</sup>	2.60	2.00	2.09
Debt-to-FCF ratio <sup>(4)</sup>	3.50	3.02	3.16

(1) Long-term debt divided by shareholders' equity. (2) Long-term debt divided by the sum of shareholders' equity and long-term debt. (3) Long-term debt divided by trailing

twelve months EBITDA. (4) Long-term debt divided by trailing twelve months free cash flow.

Compared to December 31, 2013, the Company's total assets and long-term debt increased by 13% and 11%, respectively, due to the acquisitions of Clarke and Vitran. Following these two acquisitions, the debt-to-equity ratio and the debt-to-capital ratio stayed stable and still reflect appropriate debt level so that there are no financial constraints on the use of capital. Strict cash flow management and strong cash flow generated from operations allowed the Company to pursue debt reduction when the situation dictated.

## Contractual obligations

The following table indicates the Company's contractual obligations with their respective maturity dates at June 30, 2014, excluding future interest payments.

<i>(unaudited)</i> <i>(in thousands of dollars)</i>	Total	Less Than 1 year	1 to 3 years	3 to 5 years	After 5 years
Unsecured revolving facility – August 2017	554,233	-	-	554,233	-
5.65% Convertible debentures <sup>(1)</sup> – September 2018	84,573	-	-	84,573	-
Unsecured debentures – November 2017	125,000	-	-	125,000	-
Finance lease obligations	11,250	3,353	4,331	1,752	1,814
Other long-term debt	93,210	22,398	29,464	37,380	3,968
Operating leases (see commitments)	414,368	89,494	115,723	60,809	148,342
<b>Total contractual obligations</b>	<b>1,282,634</b>	<b>115,245</b>	<b>149,518</b>	<b>863,747</b>	<b>154,124</b>

(1) The above table assumes no conversion of the 5.65% convertible debentures to maturity.

As at June 30, 2014, the Company had \$28.2 million (December 31, 2013 - \$24.5 million) of outstanding letters of guarantee.

## Credit facility

On June 18, 2014, the Company signed an amendment to its credit facility to increase it by \$245 million to \$1,045 million and to extend the term to August 2017. The applicable interest rate and covenants remain unchanged. TransForce's credit facility is unsecured and can be extended annually. The credit facility is provided by a bank syndicate led by National Bank Financial, RBC Capital Markets and Bank of America Merrill Lynch in their capacity as co-lead arrangers.

The following table indicates the Company's financial covenants to be maintained under its credit facility. These covenants are measured on a consolidated rolling twelve-month basis:

<b>Covenants</b>	<b>Requirements</b>	<b>As at June 30, 2014</b>
<b>Funded debt-to-EBITDA ratio</b> [ratio of total debt plus letters of credit and some other long-term liabilities to earnings before interest, income taxes, depreciation and amortization ("EBITDA")]	< 3.50	2.50
<b>EBITDAR-to-interest and rent ratio</b> [ratio of EBITDAR (EBITDA before rent) to interest and net rent expenses]	> 1.75	3.03

The Company believes it will be in compliance with these covenants for the next twelve months.

## 6% convertible debentures – November 2015

On January 3, 2014, the Company announced that it will redeem, as of February 3, 2014, all of the aggregated principal amount of \$122.1 million of its outstanding 6% convertible debentures. Pursuant to the conversion option available to debenture holders, the Company received conversion requests for a principal amount of \$118.2 million resulting in the issuance of 6,202,974 new common shares. The Company redeemed an unconverted principal amount of \$3.9 million as at February 3, 2014. As a result, the Company will reduce its interest expense by \$7.3 million in 2014.

## 5.65% convertible debentures – September 2018

On December 27, 2013, the Company announced normal course issuer bid ("NCIB") to repurchase its 5.65% convertible debentures. The Company is authorized to repurchase for cancellation a maximum of 10% of the public float under certain conditions. This NCIB is in place for a period of twelve months starting December 31, 2013 and ending on December 30, 2014. As of June 30, 2014, there was \$84.6 million principal amount of 5.65% convertible debentures issued and outstanding.

In the six-month period ended June 30, 2014, a principal amount of \$0.2 million (2013 – nil) of the outstanding 5.65% convertible debentures had been converted into 9,049 common shares.

## Commitments, contingencies and off-balance sheet arrangements

The following table indicates the Company's commitments with their respective terms at June 30, 2014.

<i>(unaudited)</i> <i>(in thousands of dollars)</i>	<b>Total</b>	<b>Less Than 1 year</b>	<b>1 to 3 years</b>	<b>3 to 5 Years</b>	<b>After 5 years</b>
Operating leases – rolling stock	48,345	21,528	23,134	3,607	76
Operating leases – real estate & others	366,023	67,966	92,589	57,202	148,266
<b>Total off-balance sheet obligations</b>	<b>414,368</b>	<b>89,494</b>	<b>115,723</b>	<b>60,809</b>	<b>148,342</b>

Long-term real estate leases totalling \$366.0 million included five significant real estate commitments for an aggregate value of \$163.9 million, which expire between 2024 and 2035. A total of 328 properties constituted the remaining real estate operating leases.

## Derivative financial instruments

The Company has entered into foreign exchange contracts and currency option instruments for the sale of U.S. dollars in exchange for Canadian dollars that expire at various dates through January 2016. As at June 30, 2014, these contracts' notional amount totalled US\$76.5 million (December 2013 - US\$94.2 million). As at June 30, 2014, the foreign exchange contract fair value was negative \$1.2 million (December 2013 – negative \$0.8 million).

The Company has also entered into interest rate swap contracts in order to mitigate the interest rate risk on a portion of its variable rate debt. As at June 30, 2014, the Company had interest rate swap contracts on the notional amount of \$325.0 million of debt (December 2013 - \$232.5 million), at an average rate of 1.33% (December 2013 – 1.54%), that expire at various dates through June 2020. This represents 60% of the Company's total variable rate long-term debt. As a result, the effective interest rate on the interest swap contracts is 3.03% at June 30, 2014 (December 2013– 3.24%). As at that date, the fair value of the interest rate swap contracts was negative \$3.6 million (December 2013 - negative \$0.3 million).

## Dividends and outstanding share data

### Dividends

The Company declared \$14.3 million in dividends, or \$0.145 per outstanding common share, in the second quarter of 2014. For the six-month period ended June 30, 2014, dividends declared were \$28.6 million.

On April 24, 2014, TransForce adopted a Dividend Policy (the « Policy ») whereby approximately 20-25% of TransForce's annualized free cash flow available would be distributed every year as dividends to shareholders. The Board of Directors (the « Board ») has determined that this level of distribution would allow TransForce to maintain sufficient financial resources and flexibility to execute its operating and disciplined acquisition strategies, while providing an adequate return on shareholder's capital. If the dividend payable for a quarter is not within the aforementioned range, it is the Board's duty to determine whether the dividend should remain unchanged or if it should, accordingly, be adjusted upwards or downwards on a going forward basis. The Board may also, at its discretion and at any time, change the rate of dividends distributed and/or elect not to distribute a dividend, whether as a result of a one-time decision or a change in the Policy.

### NCIB on common shares

The Company renewed its Normal Course Issuer Bid ("NCIB") that allows it to repurchase for cancellation up to a maximum of 6,000,000 of its common shares. This NCIB expires on August 1, 2014. Repurchases under this NCIB are made in accordance with the requirements of the TSX at market prices through the facilities of the TSX. Accordingly, TransForce has the right to repurchase during any one trading day a maximum of 72,849 common shares. In addition, TransForce may make, once per calendar week, a block purchase of its common shares not directly or indirectly owned by insiders of TransForce.

TransForce believes that, at appropriate times, repurchases through the NCIB can enhance shareholder value and represents an attractive investment and an appropriate use of TransForce's financial resources.

For the six-month period ended June 30, 2014, the Company repurchased 1,301,500 common shares (2013 – 738,900) at a price ranging from \$22.46 to \$23.00 (2013 – from \$19.71 to \$20.00) for a total purchase price of \$29.9 million (2013 - \$14.7 million).

### Outstanding shares and stock options

A total of 98,535,100 common shares were outstanding as at June 30, 2014 (December 2013 – 93,405,264). There was no significant change in the Company's outstanding share capital between June 30, 2014 and July 24, 2014.

As at June 30, 2014, the number of outstanding options to acquire common shares issued under the Company's stock option plan was 3,937,486 (December 2013 – 4,229,252) of which 2,185,251 were exercisable (December 2013 – 2,376,216). Each stock option entitles the holder to purchase one common share of the Company at an exercise price based on the closing price of the volume weighted average trading price of the Company's shares for the last five trading days immediately preceding the effective date of the grant.

In addition, on February 1, 2013, the Company issued 1,000,000 warrants having an exercise price of \$20.17 per share and a two-year life for a portion of the consideration transferred in relation to the Velocity acquisition. During 2014, 25,000 of these warrants were exercised (2013 – 25,000).

### Legal proceedings

The Company is involved in litigation arising from the ordinary course of business primarily involving claims for bodily injury and property damage. It is not feasible to predict or determine the outcome of these or similar proceedings. However, the Company believes the ultimate recovery or liability, if any, resulting from such litigation individually or in total would not materially adversely affect the Company's financial condition or performance and, if necessary, have been provided for in the financial statements.

### Subsequent event

On July 3, 2014, the Company completed the acquisition of the entire share capital of Transport America Inc. ("Transport America"), an important provider of TL carriage and logistics services. Founded in 1984 and headquartered in Eagan, Minnesota, Transport America provides an integrated offering of dry-van TL transportation services across the United States. It offers a wide array of short and long haul freight carriage, expedited and dedicated shipping services, as well as international and intermodal services through various partners. The purchase price represents a total enterprise value of approximately US\$310 million, including Transport America's debt of about US\$150 million, which has been reimbursed at closing.

## OUTLOOK

Looking ahead, as the North American economy is showing modest signs of improvement, conditions are expected to progress accordingly in TransForce's main operating markets over the remainder of 2014. At this stage we see US consumers being more confident and spendings more their increased disposable income creating indirectly more business activities for Transforce. We nevertheless do not feel yet as much momentum in central Canada. As this relatively challenging environment limits organic growth, key drivers for revenue and EBIT growth remain further efficiency improvement, asset rationalization, tight cost controls, as well as the execution of a disciplined acquisition strategy.

In the Package and Courier and LTL segments, TransForce's priorities are the consolidation of its operations, administration and IT platforms. Initial benefits are being achieved, as evidenced by margin improvements, but more significant savings are still expected going forward. As the Company believes that general conditions will remain relatively difficult as long as overcapacity continues to affect the industry, TransForce will remain proactive in implementing measures to further optimize asset utilization. We are focusing on completing the integration of our businesses in the U.S. same-day operation and as we replace the non-contributing customers by some profitable ones, and we capture our fair share of the e-commerce delivery business, we are confident to move our current stable business toward profitable growth. The optimization of same-day operations in the U.S., the arrival of new blood in the management of some of our major divisions and the acquisitions of Clarke Transport and Vitran will bring a solid contribution to operating results in 2014, as TransForce seeks to leverage its enhanced density and capabilities in the fragmented North American transportation market.

In the TL market, TransForce will focus on capturing all strategic benefits related to its recent acquisition of Transport America, while remaining disciplined by carefully managing supply in order to maximize return on assets. We will continue to strive to gain size and optimise our network of assets considering geographies and the borders. Success will also stem from continuous efforts to deploy leading-edge analytical tools across the Company's network that will allow its people to make appropriate business decisions.

Finally, in the waste management sector, the Company will benefit from Veolia Solid Waste Canada and from investments made to expand the composting facility at the Lafleche environmental complex, while the acquisition of additional landfill capacity in Lachute, Québec at the end of 2013 will provide opportunities to grow its customer base and density.

As the Company further adopts an asset-light business model, capital will be increasingly deployed in initiatives that provide better return on capital employed and a solid cash flow. In so doing, TransForce aims to increasingly distinguish itself by providing innovative, value-added solutions to its growing North American customer base. TransForce will also use its cash flow to pursue its carefully targeted expansion strategy, repurchase common shares, and reimburse debt.

One unpredictable element involves currency volatility. The recent appreciation in the value of the U.S. dollar versus the Canadian currency will have a beneficial impact on operating income due to the Company's net annual U.S. dollar cash flow of approximately \$172 million. A weaker Canadian dollar is also beneficial for the Company's export-oriented customers, but it increases costs for acquisitions of U.S.-based companies and new equipment.

Another unpredictable element involves the health of the North American economy. While the macro-economic environment has been volatile in recent years, the Company has repeatedly proven its resilience and the flexibility of its business model by rapidly adapting to changing market conditions. TransForce will remain proactive in managing these unpredictable elements by continuing to enhance operating efficiency and asset utilization.

TransForce is well positioned to benefit significantly when the economy recovers more robustly, and management is confident that the steps it has taken and planned will continue to grow shareholder value. The Company aims to deliver on this commitment by adhering to its operating principles and by executing its strategy with the same discipline and rigour that have made TransForce a North American leader in the transportation and logistics industry.



## SUMMARY OF EIGHT MOST RECENT QUARTERLY RESULTS

<i>(unaudited) - (in millions of dollars, except per share data)</i>								
	Q2 14	Q1 14	Q4 13	Q3 13	Q2 13	Q1 13	Q4 12	Q3 12
Revenue	889.1	770.5	792.6	775.1	792.3	749.7	778.4	761.7
EBITDA <sup>(1)</sup>	107.3	56.8	76.3	90.2	93.1	69.3	98.2	100.4
Adjusted net income <sup>(1)</sup>	49.1	21.7	23.3	35.5	39.2	25.5	38.2	42.1
Net income	37.3	5.9	-27.0	44.0	26.6	18.9	36.1	53.8
Earnings per share								
Basic	0.38	0.06	-0.29	0.48	0.29	0.20	0.39	0.57
Diluted	0.37	0.06	-0.29	0.45	0.28	0.20	0.37	0.53

(1) Please refer to the section "Reconciliation of non-IFRS financial measures".

## RECONCILIATION OF NON-IFRS FINANCIAL MEASURES

Financial data have been prepared in conformity with IFRS. However, certain measures used in this discussion and analysis do not have any standardized meaning under IFRS and could be calculated differently by other companies. The Company believes that certain non-IFRS financial measures, when presented in conjunction with comparable IFRS financial measures, are useful to investors and other readers because that information is an appropriate measure for evaluating the Company's operating performance. Internally, the Company uses this non-IFRS financial information as an indicator of business performance. These measures should be considered in addition to, not as a substitute for or superior to, measures of financial performance prepared in accordance with IFRS.

## Non-IFRS financial measures

EBIT	Net income before finance income and costs and income tax expense.
EBITDA	Net income before finance income and costs, income tax expense, depreciation, amortization, asset impairments, gain or loss on sale of property and equipment, assets held for sales and of business.
EBIT margin and EBITDA margin	EBIT / EBITDA as a percentage of total revenue.
Operating ratio	Operating expenses divided by total revenue. Operating expenses comprise: materials and services expenses, personnel expenses, other operating expenses, depreciation and amortization, gain or loss on sale of property and equipment and assets held for sale.
Adjusted net income and adjusted earnings per share	Net income and earnings per share excluding the after-tax effect of changes in the fair value of derivatives, net foreign exchange gain or loss, and of items that are not in the Company's normal business.
Free cash flow	Net cash from operating activities less additions to property and equipment plus proceeds from sale of property and equipment and assets held for sale.
Free cash flow per share	Free cash flow divided by the weighted average number of common shares outstanding.

## EBIT &amp; EBITDA

EBIT refers to "income from operating activities" in the condensed consolidated interim financial statements and management believes EBITDA to be a useful supplemental measure. EBITDA is provided to assist in determining the ability of the Company to generate cash from its operations.

<i>(unaudited)</i> <i>(in thousands of dollars)</i>	Second quarters ended June 30		Six months ended June 30	
	2014	2013	2014	2013
Net income	37,268	26,559	43,203	45,419
Net finance costs	(3,898)	25,915	23,352	45,214
Income tax expense	18,252	9,796	18,312	16,202
EBIT (Income from operating activities)	51,622	62,270	84,867	106,835
Impairment of intangible assets	27,839	-	27,839	-
EBIT before impairment charge	79,461	62,270	112,706	106,835
Depreciation and amortization	30,978	34,671	61,705	68,581
Gain on sale of property and equipment	(2,861)	(3,792)	(7,220)	(12,937)
Gain on sale of assets held for sale	(284)	-	(2,019)	-
Gain on sale of business	-	-	(1,126)	-
EBITDA	107,294	93,149	164,046	162,479

## Operating ratio

Although the operating ratio is not a recognized financial measure defined by IFRS, it is a widely recognized measure in the transportation industry, which we believe provides a comparable benchmark for evaluating the Company's performance.

(unaudited) (in thousands of dollars)	Second quarters ended June 30		Six months ended June 30	
	2014	2013	2014	2013
Materials and services expenses	529,741	443,258	994,673	869,143
Personnel expenses	200,737	206,683	397,081	412,525
Other operating expenses	51,305	49,163	103,755	97,829
Depreciation and amortization	30,978	34,671	61,705	68,581
Gain on sale of property and equipment and assets held for sale	(3,145)	(3,792)	(9,239)	(12,937)
Total operating expenses	809,616	729,983	1,547,975	1,435,141
Total revenue	889,077	792,253	1,659,555	1,541,976
Operating ratio	91.1%	92.1%	93.3%	93.1%

## Adjusted net income and adjusted earnings per share

In presenting an adjusted net income and adjusted earnings per share the Company's intent is to help provide an understanding of what would have been the net income and earnings per share excluding specific impacts and to reflect earnings from a strictly operating perspective.

(unaudited) (in thousands of dollars, except per share data)	Second quarters ended June 30		Six months ended June 30	
	2014	2013	2014	2013
<b>Net income</b>	<b>37,268</b>	<b>26,559</b>	<b>43,203</b>	<b>45,419</b>
Change in fair value of derivatives (after tax)	(1,205)	762	2,641	196
Net foreign exchange (gain) loss (after tax)	(12,497)	11,900	(585)	19,045
Impairment of intangible assets (after tax)	25,499	-	25,499	-
<b>Adjusted net income</b>	<b>49,065</b>	<b>39,221</b>	<b>70,758</b>	<b>64,660</b>
<b>Adjusted earnings per share – basic</b>	<b>0.50</b>	<b>0.42</b>	<b>0.73</b>	<b>0.70</b>
<b>Adjusted earnings per share – diluted</b>	<b>0.48</b>	<b>0.40</b>	<b>0.71</b>	<b>0.67</b>

## Free cash flow and free cash flow per share

Management believes that this measure provides a benchmark to evaluate the performance of the Company in regard to its ability to meet capital requirements.

(unaudited) (in thousands of dollars)	Second quarters ended June 30		Six months ended June 30	
	2014	2013	2014	2013
Net cash from operating activities before net change in non-cash operating working capital	89,410	60,306	113,584	83,458
Net change in non-cash operating working capital	(34,272)	20,321	(34,510)	11,766
Additions to property and equipment	(15,047)	(11,968)	(36,702)	(27,688)
Proceeds from sale of property and equipment	42,382	22,451	59,659	44,121
Proceeds from sale of assets held for sale	14,966	-	30,471	-
<b>Free cash flow</b>	<b>97,439</b>	<b>91,110</b>	<b>132,502</b>	<b>111,657</b>
<b>Free cash flow per share<sup>(1)</sup></b>	<b>0.99</b>	<b>0.98</b>	<b>1.36</b>	<b>1.20</b>

(1) Based on weighted average number of shares outstanding during the periods.

## RISKS AND UNCERTAINTIES

### Economic conditions

Demand for freight transport is closely linked to the state of the overall economy. Consequently, a change in general economic growth could affect the Company's performance. However, the Company serves an extensive customer base, covers a broad geographic area, and operates in four distinct transport sectors. These factors may mitigate the effects of an economic downturn.

### Competition

Deregulation in the transport industry has increased the number of competitors, as well as competition with respect to pricing. Competition is strong within the Canadian market. In addition, the Company faces competition from other transporters in the United States.

### Regulation

Notwithstanding that the transportation industry is largely deregulated, carriers must obtain licenses issued by provincial transport boards in order to carry goods inter-provincially or to transport goods within any

province. Licensing from United States regulatory authorities is also required for the transportation of goods between Canada and the United States. Any change in these regulations could have an adverse impact on the scope of the Company's activities.

## General operating environment

The Company is subject to changes in its general operating environment. The elements affecting its environment are the cost of liability insurance, the market for used equipment, adverse weather conditions and accidents.

## Fuel prices

The Company is exposed to variations in the price of fuel. The Company is generally able to recover the majority of additional fuel costs through surcharges to its customers. It also strives to ensure that the fuel consumption of its fleet is as efficient as possible.

## Currency fluctuations

The Company's financial results are reported in Canadian dollars and a portion of its revenue and operating costs are realized in currencies other than Canadian dollars, primarily U.S. dollars. The results of operations are therefore affected by movements of this currency against the Canadian dollar. Significant fluctuations in relative currency values against the Canadian dollar could therefore have a significant impact on the Company's future profitability.

## Interest rate fluctuations

Changes in interest rates may result in fluctuations in the Company's future cash flows related to variable-rate financial liabilities. For these items, cash flows could be impacted by changes in benchmark rates such as Bankers' Acceptance or Libor. In addition, we are exposed to gains and losses arising from changes in interest rates through our derivative financial instruments carried at fair value.

## Credit

The Company provides services to clients primarily in Canada and the United States. The concentration of credit risk to which the Company is exposed is limited due to the significant number of customers that make up its client base and their distribution across different geographic areas. Furthermore, no client accounted for more than 10% of total accounts receivable.

## Loan default

The Company's current credit facilities and financing agreements impose certain covenant requirements. There is a risk that such loans may go into default if there is a breach in complying with such covenants and obligations which could result in the Company being unable to pay dividends to shareholders, and result in lenders realizing on their security and causing the Company to lose some or all of its investment. As at June 30, 2014, the Company is in compliance with all of its debt covenants and obligations.

## Key personnel

The future success of the Company will be based in large part on the quality of its management and key personnel. The loss of key personnel could have a negative effect on the Company. There can be no assurance that the Company will be able to retain its current

personnel or, in the event of their departure, to attract new personnel of equal quality.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions about future events. These estimates and the underlying assumptions affect the reported amounts of assets and liabilities, the disclosures about contingent assets and liabilities, and the reported amounts of revenues and expenses. Such estimates include the valuation of accounts receivable, goodwill, intangible assets, identified assets and liabilities acquired in business combinations, other long-lived assets, income taxes, site restoration obligations and pension obligations. These estimates and assumptions are based on management's best estimates and judgments.

Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. Management adjusts such estimates and assumptions when facts and circumstances dictate. Actual results could differ from these estimates. Changes in those estimates and assumptions are recognized in the period in which the estimates are revised.

## CHANGES IN ACCOUNTING POLICIES

### Adopted during the period

The following new standards, and amendments to standards and interpretations, are effective for the first time for interim periods beginning on or after January 1, 2014 and have been applied in preparing the condensed consolidated interim financial statements:

Amendments to IAS 32, *Offsetting Financial Assets and Liabilities*  
IFRIC 21, *Leases*

These new standards did not have a significant impact on the Group's condensed consolidated interim financial statements.

### To be adopted in future periods

The following new standards and amendments to standard are not yet effective for the year ended December 31, 2014, and have not been applied in preparing the condensed consolidated interim financial statements:

IFRS 9, *Financial Instruments*  
IFRS 15, *Revenue from Contracts with Customers*  
Amendments to IAS 19, *Employee Benefits*

Further information can be found in note 3 of the June 30, 2014 condensed consolidated interim financial statements.

### CONTROLS AND PROCEDURES

In compliance with the provisions of Canadian Securities Administrators' Regulation 52-109, the Company has filed certificates signed by the President and Chief Executive Officer (CEO), acting also as Chief Financial Officer that, among other things, report on:

- his responsibility for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting for the Company; and
- the design and effectiveness of disclosure controls and procedures and the design and effectiveness of internal controls over financial reporting.

#### Disclosure controls and procedures

The CEO has designed disclosure controls and procedures, or has caused them to be designed under his supervision, in order to provide reasonable assurance that:

- material information relating to the Company is made known to the CEO by others, particularly during the period in which the interim and annual filings are being prepared; and

- information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

#### Internal controls over financial reporting

The CEO has also designed internal controls over financial reporting, or has caused them to be designed under his supervision, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The control framework used to design the Company's internal controls over financial reporting is based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) on Internal Control – Integrated Framework (1992 framework).

#### Changes in internal controls over financial reporting

No changes were made to the Company's internal controls over financial reporting during the six-month period ended June 30, 2014 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.



## CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the second quarter ended  
June 30, 2014

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**TransForce Inc.**
**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**UNAUDITED**

(in thousands of Canadian dollars)			As at June 30, 2014	As at December 31, 2013
	Note			
<b>Assets</b>				
Trade and other receivables			495,461	414,985
Inventoried supplies			6,459	6,424
Current tax receivable			12,132	7,511
Prepaid expenses			24,138	14,082
Derivative financial instruments			510	274
Assets held for sale			6,068	29,043
<b>Current assets</b>			<b>544,768</b>	<b>472,319</b>
Property and equipment	6		779,196	702,420
Intangible assets	7		989,388	850,711
Other assets			14,343	36,255
Deferred tax assets			2,929	2,591
Derivative financial instruments			67	306
<b>Non-current assets</b>			<b>1,785,923</b>	<b>1,592,283</b>
<b>Total assets</b>			<b>2,330,691</b>	<b>2,064,602</b>
<b>Liabilities</b>				
Bank indebtedness			22,803	9,437
Trade and other payables			355,921	308,578
Derivative financial instruments			2,714	822
Long-term debt	8		25,751	20,849
<b>Current liabilities</b>			<b>407,189</b>	<b>339,686</b>
Long-term debt	8		834,729	752,707
Employee benefits			12,225	12,553
Provisions			32,519	29,940
Derivative financial instruments			2,679	857
Deferred tax liabilities			144,481	138,042
<b>Non-current liabilities</b>			<b>1,026,633</b>	<b>934,099</b>
<b>Total liabilities</b>			<b>1,433,822</b>	<b>1,273,785</b>
<b>Equity</b>				
Share capital	9		695,923	577,993
Contributed surplus			18,615	17,233
Equity component of convertible debentures			2,205	7,767
Accumulated other comprehensive income (loss)			23,768	25,526
Retained earnings			156,358	162,298
<b>Equity attributable to owners of the Company</b>			<b>896,869</b>	<b>790,817</b>
Operating leases, contingencies and guarantees	15			
<b>Total liabilities and equity</b>			<b>2,330,691</b>	<b>2,064,602</b>

The notes on pages 6 to 19 are an integral part of these condensed consolidated interim financial statements.

**TransForce Inc.**
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**UNAUDITED**

(In thousands of Canadian dollars, except per share amounts)		Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
	Note				
Revenue		779,140	709,915	1,458,897	1,380,944
Fuel surcharge		109,937	82,338	200,658	161,032
		889,077	792,253	1,659,555	1,541,976
Materials and services expenses	12	529,741	443,258	994,673	869,143
Personnel expenses	12	200,737	206,683	397,081	412,525
Other operating expenses	12	51,305	49,163	103,755	97,829
		781,783	699,104	1,495,509	1,379,497
<b>Income before the following:</b>		<b>107,294</b>	<b>93,149</b>	<b>164,046</b>	<b>162,479</b>
Depreciation of property and equipment	12	22,559	24,777	45,344	49,449
Amortization of intangible assets	12	8,419	9,894	16,361	19,132
Impairment of intangible assets	4, 12	27,839	-	27,839	-
Gain on sale of property and equipment	12	(2,861)	(3,792)	(7,220)	(12,937)
Gain on sale of assets held for sale	12	(284)	-	(2,019)	-
Gain on sale of business	12	-	-	(1,126)	-
<b>Income from operating activities</b>		<b>51,622</b>	<b>62,270</b>	<b>84,867</b>	<b>106,835</b>
Finance income	13	(18,082)	(657)	(7,435)	(1,461)
Finance costs	13	14,184	26,572	30,787	46,675
Net finance (income) costs		(3,898)	25,915	23,352	45,214
Income before income taxes		55,520	36,355	61,515	61,621
Income tax expense	14	18,252	9,796	18,312	16,202
<b>Net income for the period attributable to owners of the Company</b>		<b>37,268</b>	<b>26,559</b>	<b>43,203</b>	<b>45,419</b>
Other comprehensive income					
Items that may be reclassified to income or loss in future period					
Foreign currency translation differences		(10,423)	13,529	3,662	21,252
Reclassification to income of accumulated unrealized gain on investment in equity securities of Vitran Corporation Inc., net of tax		-	-	(5,420)	-
Unrealized gain on investment in equity securities net of tax		-	1,094	-	2,172
<b>Other comprehensive (loss) income for the period</b>		<b>(10,423)</b>	<b>14,623</b>	<b>(1,758)</b>	<b>23,424</b>
<b>Total comprehensive income for the period attributable to owners of the Company</b>		<b>26,845</b>	<b>41,182</b>	<b>41,445</b>	<b>68,843</b>
Earnings per share					
Basic earnings per share	10	0.38	0.29	0.44	0.49
Diluted earnings per share	10	0.37	0.28	0.43	0.48

The notes on pages 6 to 19 are an integral part of these condensed consolidated interim financial statements.

**TransForce Inc.**
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
PERIODS ENDED JUNE 30, 2014 AND 2013 – UNAUDITED**

(In thousands of Canadian dollars)

	Note	Share capital	Contributed surplus	Equity component of convertible debentures	Accumulated foreign currency translation differences	Accumulated unrealized gain on investment in equity securities	Retained earnings	Total equity attributable to owners of the Company
<b>Balance as at December 31, 2013</b>		<b>577,993</b>	<b>17,233</b>	<b>7,767</b>	<b>20,106</b>	<b>5,420</b>	<b>162,298</b>	<b>790,817</b>
Net income for the period		-	-	-	-	-	43,203	43,203
Other comprehensive income (loss) for the period		-	-	-	3,662	(5,420)	-	(1,758)
Total comprehensive income (loss) for the period		-	-	-	3,662	(5,420)	43,203	41,445
Share-based payment transactions	11	-	2,155	-	-	-	-	2,155
Stock options and warrants exercised	9, 11	3,322	(773)	-	-	-	-	2,549
Conversion of convertible debentures	8, 9	123,742	-	(5,383)	-	-	-	118,359
Dividends to owners of the Company		-	-	-	-	-	(28,591)	(28,591)
Repurchase of own shares	9	(9,134)	-	-	-	-	(20,731)	(29,865)
Transactions with owners, recorded directly in equity		117,930	1,382	(5,383)	-	-	(49,322)	64,607
Repurchase of convertible debentures	8, 9	-	-	(179)	-	-	179	-
<b>Balance as at June 30, 2014</b>		<b>695,923</b>	<b>18,615</b>	<b>2,205</b>	<b>23,768</b>	<b>-</b>	<b>156,358</b>	<b>896,869</b>
<b>Balance as at December 31, 2012</b>		<b>556,099</b>	<b>8,528</b>	<b>8,733</b>	<b>(6,105)</b>	<b>-</b>	<b>160,110</b>	<b>727,365</b>
Net income for the period		-	-	-	-	-	45,419	45,419
Other comprehensive income (loss) for the period		-	-	-	21,252	2,172	-	23,424
Total comprehensive income (loss) for the period		-	-	-	21,252	2,172	45,419	68,843
Share-based payment transactions	11	-	1,986	-	-	-	-	1,986
Stock options exercised	9, 11	1,541	(360)	-	-	-	-	1,181
Dividends to owners of the Company		-	-	-	-	-	(24,066)	(24,066)
Repurchase of own shares		(4,433)	-	-	-	-	(10,291)	(14,724)
Transactions with owners, recorded directly in equity		(2,892)	1,626	-	-	-	(34,357)	(35,623)
Issuance of warrants		-	6,000	-	-	-	-	6,000
<b>Balance as at June 30, 2013</b>		<b>553,207</b>	<b>16,154</b>	<b>8,733</b>	<b>15,147</b>	<b>2,172</b>	<b>171,172</b>	<b>766,585</b>

The notes on pages 6 to 19 are an integral part of these condensed consolidated interim financial statements.

<b>(In thousands of Canadian dollars)</b>	<b>Three months ended June 30, 2014</b>	<b>Three months ended June 30, 2013</b>	<b>Six months ended June 30, 2014</b>	<b>Six months ended June 30, 2013</b>
<b>Cash flows from operating activities</b>				
Net income for the period	37,268	26,559	43,203	45,419
Adjustments for:				
Depreciation of property and equipment	22,559	24,777	45,344	49,449
Amortization of intangible assets	8,419	9,894	16,361	19,132
Impairment of intangible assets	27,839	-	27,839	-
Share-based payment transactions	991	8	2,155	1,986
Net finance (income) costs	(3,898)	25,915	23,352	45,214
Income tax expense	18,252	9,796	18,312	16,202
Gain on sale of property and equipment	(2,861)	(3,792)	(7,220)	(12,937)
Gain on sale of assets held for sale	(284)	-	(2,019)	-
Gain on sale of business	-	-	(1,126)	-
Others	(131)	(533)	105	(890)
	108,154	92,624	166,306	163,575
Net change in non-cash operating working capital	(34,272)	20,321	(34,510)	11,766
Cash generated from operating activities	73,882	112,945	131,796	175,341
Interest paid	(9,720)	(13,230)	(20,565)	(20,496)
Income tax paid	(8,697)	(19,578)	(32,296)	(60,538)
Net realized (loss) gain on derivatives	(327)	490	139	917
<b>Net cash from operating activities</b>	<b>55,138</b>	<b>80,627</b>	<b>79,074</b>	<b>95,224</b>
<b>Cash flows used in investing activities</b>				
Additions to property and equipment	(15,047)	(11,968)	(36,702)	(27,688)
Proceeds from sale of property and equipment	42,382	22,451	59,659	44,121
Proceeds from sale of assets held for sale	14,966	-	30,471	-
Additions to intangible assets	(584)	(1,263)	(1,048)	(1,700)
Business combinations, net of cash acquired	(44,847)	-	(191,560)	(23,600)
Proceeds from sale of business	-	-	3,869	-
Others	(454)	(1,178)	(211)	(3,141)
<b>Net cash (used in) from investing activities</b>	<b>(3,584)</b>	<b>8,042</b>	<b>(135,522)</b>	<b>(12,008)</b>
<b>Cash flows from financing activities</b>				
Increase (decrease) in bank indebtedness	(2,231)	(9,738)	11,925	(11,647)
Proceeds from long-term debt	4,186	4,928	177,604	9,894
Repayment of long-term debt	(35,747)	(57,240)	(77,918)	(43,781)
Dividends paid	(14,303)	(12,079)	(27,847)	(24,139)
Repurchase of own shares	(4,009)	(14,724)	(29,865)	(14,724)
Proceeds from exercise of stock options and warrants	550	184	2,549	1,181
<b>Net cash from financing activities</b>	<b>(51,554)</b>	<b>(88,669)</b>	<b>56,448</b>	<b>(83,216)</b>
<b>Net increase in cash and cash equivalents</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Cash and cash equivalents, beginning of period	-	-	-	-
<b>Cash and cash equivalents, end of period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The notes on pages 6 to 19 are an integral part of these condensed consolidated interim financial statements.

**1. Reporting entity**

TransForce Inc. (the “Company”) is incorporated under the *Canada Business Corporations Act*, and is a company domiciled in Canada. The address of the Company’s registered office is 8801 Trans-Canada Highway, Suite 500, Montreal, Quebec, H4S 1Z6.

The condensed consolidated interim financial statements of the Company as at and for the three and six months ended June 30, 2014 comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”).

The Group is involved in the provision of transportation and logistics services across Canada and the United States.

**2. Basis of preparation****a) Statements of compliance**

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and with IAS 34 *Interim Financial Reporting*. These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the most recent annual consolidated financial statements of the Group.

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on July 24, 2014.

**b) Basis of measurement**

These condensed consolidated interim financial statements have been prepared on the historical cost basis except for the following material items in the statements of financial position:

- derivative financial instruments and contingent considerations are measured at fair value;
- liabilities for cash-settled share-based payment arrangements are measured at fair value in accordance with IFRS-2;
- the defined benefit pension plan liability is recognized as the net total of the present value of the defined benefit obligation less the fair value of the plan assets; and
- assets and liabilities acquired in business combinations are measured at fair value at acquisition date.

**c) Seasonality of interim operations**

The activities conducted by the Group are subject to general demand for freight transportation. Historically, demand has been relatively stable with the first quarter being generally the weakest in terms of demand, both the second and third quarters being stronger, and the fourth quarter being the strongest. Furthermore, during the harsh winter months, fuel consumption and maintenance costs tend to rise. Consequently, the results of operations for the interim period are not necessarily indicative of the results of operations for the full year.

**d) Functional and presentation currency**

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the Group’s functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

**e) Use of estimates and judgments**

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions about future events. These estimates and the underlying assumptions affect the reported amounts of assets and liabilities, the disclosures about contingent assets and liabilities, and the reported amounts of revenues and expenses. Such estimates include the valuation of accounts receivable, goodwill, intangible assets, identified assets and liabilities acquired in business combinations, other long-lived assets, income taxes, site restoration obligations and pension obligations. These estimates and assumptions are based on management’s best estimates and judgments.



**2. Basis of preparation (continued)****e) Use of estimates and judgments (continued)**

Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. Management adjusts such estimates and assumptions when facts and circumstances dictate. Actual results could differ from these estimates. Changes in those estimates and assumptions are recognized in the period in which the estimates are revised.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those applied and described in the Group's 2013 annual consolidated financial statements.

**3. Significant accounting policies**

The accounting policies described in the Group's 2013 annual consolidated financial statements have been applied consistently to all periods presented in these condensed consolidated interim financial statements, unless otherwise indicated. The accounting policies have been applied consistently by Group entities.

***New standards and interpretations adopted during the period***

The following new standards, and amendments to standards and interpretations, are effective for the first time for interim periods beginning on or after January 1, 2014 and have been applied in preparing these condensed consolidated interim financial statements:

Amendments to IAS 32, *Offsetting Financial Assets and Liabilities*, clarify that an entity currently has a legally enforceable right to set-off if that right is not contingent on a future event; and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments to IAS 32 also clarify when a settlement mechanism provides for net settlement or gross settlement that is equivalent to net settlement. Adoption of amendments to IAS 32 did not have a material impact on the Group's condensed consolidated interim financial statements.

IFRIC *Interpretation 21 - Levies* ("IFRIC 21") provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation, other than income taxes within the scope of IAS 12, Income Taxes and fines or other penalties imposed for breaches of the legislation. The Interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. IFRIC 21 adoption did not have a material impact on the Group's condensed consolidated interim financial statements.

***New standards and interpretations not yet adopted***

The following new standards are not yet effective for the year ending December 31, 2014, and have not been applied in preparing these condensed consolidated interim financial statements:

IFRS 9, *Financial Instruments*, is expected to impact the classification and measurement of financial assets. The Group does not intend to early adopt IFRS 9 (2009, 2010, 2013) in its consolidated financial statements for the annual period beginning on January 1, 2015. The extent of the impact of adoption of IFRS 9 has not yet been determined.

IFRS 15, *Revenue from Contracts with Customers*, which will replace IAS 18, *Revenue*, and will become effective for the Group's 2017 consolidated financial statements. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The extent of the impact of adoption of the standard has not yet been determined.

**3. Significant accounting policies (continued)*****New standards and interpretations not yet adopted (continued)***

Amendments to IAS 19, *Employee Benefits*, introduce a relief (practical expedient) that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. When employee contributions are eligible for the practical expedient, a company is permitted (but not required) to recognize them as a reduction of the service cost in the period in which the related service is rendered. For companies that cannot (or decide not to) apply the practical expedient, the amendments clarify how service-linked contributions from employees or third parties should be included in determining net current service cost and the defined benefit obligation. The Group intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2015. The extent of the impact of adoption of the amendments has not yet been determined.

**4. Segment reporting**

The Group operates within the transportation and logistics industry in Canada and the United States in different reportable segments, as described below. Effective April 1, 2014, the composition of reportable segments has been modified to reflect the changes in the structure of the Group's internal organisation. The newly adopted presentation continues to show separately the operating segments that are managed independently as they require different technology and capital resources. In addition, current presentation reflects the nature of services for all of the operating segments whereas prior presentation for the Specialized Services – services to the energy sector operating segment was mainly based on the type of customer. Group's management believes that newly adopted presentation better enables users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.

As a result of modifications to the composition of its operating segments on April 1st, 2014, the Group's goodwill allocated to its operating segments, which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes, had to be reallocated based on the relative values of the cash-generating units affected by the modifications.

Following the reallocation of its goodwill, the Group performed a goodwill impairment test on the rig moving services operating segment and the results determined that the carrying value of the Group's rig moving services operating segment exceeded its recoverable amount, requiring the complete depreciation of this segment's goodwill in the amount of \$27.8 million.

When the Group changes the structure of its internal organization in a manner that causes the composition of its reportable segments to change, the corresponding information for the comparative period is restated to conform to the new structure.

For each of the operating segments, the Group's CEO reviews internal management reports on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

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Package and Courier:	Pickup, transport and delivery of items across North America.
Less-Than-Truckload:	Pickup, consolidation, transport and delivery of smaller loads.
Truckload:	Full loads carried directly from the customer to the destination using a closed van or specialized equipment to meet customer's specific needs. Includes expedited transportation, flatbed, container and dedicated services.
Waste Management:	Services for integrated residual materials management, ranging from collection to disposal, through conversion and recycling, to meet specific needs of its clients in municipal, industrial, commercial and institutional sectors.
Other segments:	Logistics services and rig moving services.

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Information regarding the results of each reportable segment is included below. Performance is measured based on segment income before interest and income tax ("EBIT"), as finance income or costs and income tax are not allocated to reportable segments. This measure is included in the internal management reports that are reviewed by the Group's CEO and refers to "Income from operating activities" in the consolidated statements of comprehensive income. Segment's EBIT is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

**4. Segment reporting (continued)**

	Package and Courier	Less- Than- Truckload	Truckload	Waste Management	Other Segments	Corporate	Eliminations	Total
<b>Three months ended June 30, 2014</b>								
External revenue	321,556	247,494	196,949	48,933	74,145	-	-	889,077
Inter-segment revenue	1,871	987	10,581	-	2,189	-	(15,628)	-
<b>Total revenue</b>	<b>323,427</b>	<b>248,481</b>	<b>207,530</b>	<b>48,933</b>	<b>76,334</b>	<b>-</b>	<b>(15,628)</b>	<b>889,077</b>
Depreciation and amortization	8,997	8,334	5,680	4,750	30,677	379	-	58,817
Income (loss) from operating activities	27,285	20,056	20,179	12,058	(20,986)	(6,970)	-	51,622
Total assets	637,170	724,299	442,445	315,049	186,811	24,917	-	2,330,691
Total liabilities	135,177	222,778	93,098	68,671	17,326	896,772	-	1,433,822
Capital expenditures	2,639	1,222	4,066	6,660	82	378	-	15,047
<b>Three months ended June 30, 2013</b>								
External revenue	326,276	166,393	161,874	39,975	97,735	-	-	792,253
Inter-segment revenue	1,495	2,361	9,137	-	2,625	-	(15,618)	-
<b>Total revenue</b>	<b>327,771</b>	<b>168,754</b>	<b>171,011</b>	<b>39,975</b>	<b>100,360</b>	<b>-</b>	<b>(15,618)</b>	<b>792,253</b>
Depreciation and amortization	9,112	6,989	6,078	4,837	7,409	246	-	34,671
Income (loss) from operating activities	23,401	12,304	15,377	9,708	2,684	(1,204)	-	62,270
Total assets	633,694	498,091	375,488	246,794	339,910	23,869	-	2,117,846
Total liabilities	141,521	142,108	57,070	59,237	88,585	862,740	-	1,351,261
Capital expenditures	2,973	2,455	3,927	2,114	314	185	-	11,968
<b>Six months ended June 30, 2014</b>								
External revenue	626,380	425,999	377,669	83,729	145,778	-	-	1,659,555
Inter-segment revenue	3,666	4,176	20,097	-	4,224	-	(32,163)	-
<b>Total revenue</b>	<b>630,046</b>	<b>430,175</b>	<b>397,766</b>	<b>83,729</b>	<b>150,002</b>	<b>-</b>	<b>(32,163)</b>	<b>1,659,555</b>
Depreciation and amortization	17,988	15,722	11,728	9,002	34,456	648	-	89,544
Income (loss) from operating activities	40,259	24,490	30,650	18,968	(17,451)	(12,049)	-	84,867
Total assets	637,170	724,299	442,445	315,049	186,811	24,917	-	2,330,691
Total liabilities	135,177	222,778	93,098	68,671	17,326	896,772	-	1,433,822
Capital expenditures	10,783	4,826	7,807	12,594	109	583	-	36,702
<b>Six months ended June 30, 2013</b>								
External revenue	629,515	316,487	318,738	72,185	205,051	-	-	1,541,976
Inter-segment revenue	2,841	4,411	16,532	-	5,130	-	(28,914)	-
<b>Total revenue</b>	<b>632,356</b>	<b>320,898</b>	<b>335,270</b>	<b>72,185</b>	<b>210,181</b>	<b>-</b>	<b>(28,914)</b>	<b>1,541,976</b>
Depreciation and amortization	17,592	14,059	12,232	9,377	14,907	414	-	68,581
Income (loss) from operating activities	40,758	24,958	25,948	16,230	5,116	(6,175)	-	106,835
Total assets	633,694	498,091	375,488	246,794	339,910	23,869	-	2,117,846
Total liabilities	141,521	142,108	57,070	59,237	88,585	862,740	-	1,351,261
Capital expenditures	4,937	8,992	7,054	4,643	1,196	866	-	27,688

**4. Segment reporting (continued)**
***Geographical information***

Revenue is attributed to geographical locations based on the origin of service's location. Segment assets are based on the geographical location of the assets.

	<b>Three months ended June 30, 2014</b>	Three months ended June 30, 2013	<b>Six months ended June 30, 2014</b>	Six months ended June 30, 2013
Revenues				
Canada	<b>645,786</b>	551,050	<b>1,186,791</b>	1,072,453
United States	<b>243,291</b>	241,203	<b>472,764</b>	469,523
	<b>889,077</b>	792,253	<b>1,659,555</b>	1,541,976
			<b>As at June 30, 2014</b>	As at December 31, 2013
Property and equipment and intangible assets				
Canada			<b>1,487,147</b>	1,243,286
United States			<b>281,437</b>	309,845
			<b>1,768,584</b>	1,553,131

**5. Business combinations**
**a) Business combinations**

The Group acquired four businesses during 2014, of which two are considered significant.

On January 1, 2014, the Group acquired all of the issued and outstanding shares of Clarke Transport Inc. and of Clarke Road Transport Inc. (together referred to as "Clarke"), two subsidiaries of Clarke Inc., for an aggregate consideration of \$57.6 million which was paid in cash. Clarke Transport Inc., a fully integrated provider of LTL intermodal transportation services, operates a network of 15 terminals across Canada. Clarke Road Inc. offers regular and specialized TL transportation services.

On March 26, 2014, the Group completed the acquisition of 100% of Vitran Corporation Inc. ("Vitran") by acquiring the remaining 81% of Vitran previously not owned by the Group for consideration of US \$6.50 in cash per share. The unrealized gain on previously owned shares of Vitran totalling \$6.2 million was reclassified from other comprehensive income and is presented in finance costs in the condensed consolidated statements of comprehensive income. Vitran, a fully integrated provider of LTL intermodal transportation services, is expected to add \$200 million in revenue annually.

During 2014, transaction costs of \$0.5 million have been expensed in relation to the above mentioned business acquisitions.

**5. Business combinations (continued)**
**a) Business combinations (continued)**

The following table provides the revenue and profit contributions of the above 2014 significant business combinations from their respective date of acquisition and as if these acquisitions had occurred on January 1, 2014, per management's best estimates. In determining these estimated amounts, management assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on January 1, 2014.

Significant 2014 business combination contributions	From acquisition date		Estimated - if acquired on January 1, 2014	
	Revenue	Profit (loss)	Revenue	Profit (loss)
Business (acquisition date)				
Clarke (January 1)	96,188	2,655	96,188	2,655
Vitran (March 26)	53,876	1,305	101,000	2,400

As of the reporting date, the Group has not completed the purchase price allocation over the identifiable net assets and goodwill of the businesses acquired in 2014. Information to confirm fair value of certain assets and liabilities is still to be obtained for these acquisitions. As the Group obtains more information, the allocation will be completed. The table below presents the purchase price allocation based on the best available information to the Group to date.

Identifiable assets acquired and liabilities assumed	Note				As at June 30, 2014
		Clarke	Vitran	Other	
Cash and cash equivalents		96	6,109	-	<b>6,205</b>
Trade and other receivables		25,115	22,394	3,293	<b>50,802</b>
Inventoried supplies and prepaid expenses		945	1,150	-	<b>2,095</b>
Income tax receivable		-	4,145	-	<b>4,145</b>
Property and equipment	6	12,749	96,886	24,219	<b>133,854</b>
Intangible assets	7	32,598	16,136	-	<b>48,734</b>
Trade and other payables		(14,540)	(26,715)	-	<b>(41,255)</b>
Long-term debt		(41,274)	(54,921)	-	<b>(96,195)</b>
Deferred tax liabilities		(8,965)	(11,544)	-	<b>(20,509)</b>
Total identifiable net assets		6,724	53,640	27,512	<b>87,876</b>
Total consideration		57,624	117,894	44,911	<b>220,429</b>
Goodwill	7	50,900	64,254	17,399	<b>132,553</b>
Cash		57,624	95,230	44,911	<b>197,765</b>
Investment in equity securities of Vitran already owned		-	22,664	-	<b>22,664</b>
Total consideration		57,624	117,894	44,911	<b>220,429</b>

The trade receivables comprise gross contractual amounts due of \$47.4 million, of which \$2.7 million was expected to be uncollectible at the acquisition date.

Of the goodwill and intangible assets acquired through business combinations in 2014, \$17.4 is deductible for tax purposes.



**5. Business combinations (continued)**
**b) Goodwill**

The goodwill is attributable mainly to the premium of an established business operation with a good reputation in the transportation industry, and the synergies expected to be achieved from integrating the acquired entity into the Group's existing business.

The goodwill arising in the above business combinations has been allocated to operating segments as indicated in the table below, which represents the lowest level at which goodwill is monitored internally.

Operating segment	Reportable segment	Six months ended June 30, 2014
Package and courier	Package and courier	17,400
Less-Than-Truckload	Less-Than-Truckload	96,672
Truckload	Truckload	15,975
Logistics services	Other segments	2,506
		<b>132,553</b>

**6. Property and equipment**

	Land and buildings	Rolling stock	Furniture and equipment	Total
<b>Cost</b>				
Balance at December 31, 2013	376,362	661,563	187,056	1,224,981
Additions through business combinations	97,140	33,132	3,582	133,854
Other additions	5,279	18,719	21,046	45,044
Disposals	(44,082)	(31,220)	(4,240)	(79,542)
Reclassification to assets held for sale	-	(17,316)	-	(17,316)
Effect of movements in exchange rates	54	856	39	949
Balance at June 30, 2014	434,753	665,734	207,483	1,307,970
<b>Depreciation</b>				
Balance at December 31, 2013	65,974	357,654	98,933	522,561
Depreciation	5,111	29,794	10,439	45,344
Disposals	(1,981)	(21,288)	(3,834)	(27,103)
Reclassification to assets held for sale	-	(12,366)	-	(12,366)
Effect of movements in exchange rates	4	340	(6)	338
Balance at June 30, 2014	69,108	354,134	105,532	528,774
<b>Net carrying amounts at June 30, 2014</b>	<b>365,645</b>	<b>311,600</b>	<b>101,951</b>	<b>779,196</b>
Net carrying amounts at December 31, 2013	310,388	303,909	88,123	702,420

**7. Intangible assets**

		Other intangible assets					
	Note	Goodwill	Customer relationships	Trademarks	Non-compete agreements and permits	Information technology	Total
<b>Net carrying amounts</b>							
Balance at December 31, 2013		613,077	99,058	25,606	99,062	13,908	<b>850,711</b>
Additions through business combinations		132,553	37,601	10,900	-	233	<b>181,287</b>
Other additions		-	-	-	-	1,048	<b>1,048</b>
Disposition on sale of business		(934)	-	-	-	(39)	<b>(973)</b>
Amortization		-	(10,565)	(1,623)	(2,114)	(2,059)	<b>(16,361)</b>
Impairment	4	(27,839)	-	-	-	-	<b>(27,839)</b>
Effect of movements in exchange rates		1,203	218	51	13	30	<b>1,515</b>
<b>Balance at June 30, 2014</b>		<b>718,060</b>	<b>126,312</b>	<b>34,934</b>	<b>96,961</b>	<b>13,121</b>	<b>989,388</b>

**8. Long-term debt**

	As at June 30, 2014	As at December 31, 2013
<b>Non-current liabilities</b>		
Convertible debentures (a)	<b>80,334</b>	196,749
Revolving facility (b)	<b>551,117</b>	388,370
Unsecured debenture	<b>124,570</b>	124,504
Conditional sales contracts	<b>30,498</b>	32,406
Finance lease liabilities	<b>7,896</b>	4,379
Notes payable	<b>40,314</b>	6,299
	<b>834,729</b>	752,707
<b>Current liabilities</b>		
Current portion of conditional sales contracts	<b>19,386</b>	16,924
Current portion of finance lease liabilities	<b>3,353</b>	2,113
Current portion of notes payable	<b>3,012</b>	1,812
	<b>25,751</b>	20,849

- a) On January 3, 2014, the Company announced that it will redeem, as of February 3, 2014, all of the aggregate principal amount of \$122.1 million of its outstanding 6% convertible debentures. Following the announcement, the Company revalued these debentures at fair value. This resulted in accelerated accretion expense totalling \$5.6 million which is presented in finance costs in the condensed consolidated statements of comprehensive income. Pursuant to the conversion option available to debenture holders, the Company received conversion requests for a principal amount of \$118.2 million resulting in the issuance of 6,202,974 new common shares. The equity portion of the converted debentures amounting to \$5.4 million was reclassified to share capital. The Company redeemed an unconverted principal amount of \$3.9 million as at February 3, 2014, repayment of which is presented in repayment of long-term debt in the condensed consolidated statements of cash flows. The equity component of the repurchased debentures amounting to \$0.2 million was reclassified to retained earnings.

During 2014, a principal amount of \$0.2 million (2013 – nil) of the outstanding 5.65% convertible debentures had been converted into 9,049 common shares. The equity portion of the converted debentures was reclassified to share capital.

**8. Long-term debt (continued)**

- b) On June 18, 2014, the Group amended and extended its existing revolving facility to August 2017. The facility is unsecured and can be extended annually. The total available amount under the revolving facility was increased by \$245 million to \$1,045 million. The agreement still provides, under certain conditions, additional \$245 million of credit availability.

**9. Share capital**

The Company is authorized to issue an unlimited number of common shares and preferred shares, issuable in series. Both common and preferred shares are without par value. All issued shares are fully paid.

The following table summarizes the number of common shares issued. There were no preferred shares issued and outstanding.

<i>(in number of shares)</i>	Note	Six months ended June 30, 2014	Six months ended June 30, 2013
Balance, beginning of period		93,405,264	92,767,278
Conversion of convertible debentures	8	6,212,023	-
Repurchase of own shares		(1,301,500)	(738,900)
Stock options exercised	11	194,313	175,879
Warrants exercised		25,000	-
Balance, end of period		98,535,100	92,204,257

The following table summarizes the share capital issued and fully paid:

	Note	Six months ended June 30, 2014	Six months ended June 30, 2013
Balance, beginning of period		577,993	556,099
Conversion of convertible debentures	8	118,359	-
Equity component of convertible debentures credited to share capital on conversion of debentures	8	5,383	-
Repurchase of own shares		(9,134)	(4,433)
Cash consideration of stock options and warrants exercised		2,549	1,181
Ascribed value credited to share capital on stock options and warrants exercised		773	360
Balance, end of period		695,923	553,207

Pursuant to the renewal of the Normal Course Issuer Bid ("NCIB") which began on August 2, 2013 and expiring on August 1, 2014, the Company is authorized to repurchase for cancellation up to a maximum of 6,000,000 of its common shares under certain conditions. This NCIB expires on August 1, 2014. During the six months ended June 30, 2014, the Company repurchased 1,301,500 common shares (2013 – 738,900) at a price ranging from \$22.46 to \$23.00 per share (2013 – from \$19.71 to \$20.00) for a total purchase price of \$29.9 million (2013 - \$14.7 million). The excess of the purchase price paid over the carrying value of the shares repurchased in the amount of \$20.7 million (2013 - \$10.3 million) was charged to retained earnings as share purchase premium.

**10. Earnings per share**
**Basic earnings per share**

The basic earnings per share and the weighted average number of common shares outstanding have been calculated as follows:

<i>(in thousands of dollars and number of shares)</i>	<b>Three months ended June 30, 2014</b>	Three months ended June 30, 2013	<b>Six months ended June 30, 2014</b>	Six months ended June 30, 2013
Net income attributable to owners of the Company	<b>37,268</b>	26,559	<b>43,203</b>	45,419
Issued common shares, beginning of period	<b>98,644,552</b>	92,917,591	<b>93,405,264</b>	92,767,278
Effect of converted debentures	<b>1,674</b>	-	<b>4,659,854</b>	-
Effect of stock options and warrants exercised	<b>30,950</b>	12,783	<b>131,024</b>	119,126
Effect of repurchase of own shares	<b>(87,350)</b>	(369,450)	<b>(888,775)</b>	(184,725)
Weighted average number of common shares	<b>98,589,826</b>	92,560,924	<b>97,307,367</b>	92,701,679
Earnings per share – basic	<b>0.38</b>	0.29	<b>0.44</b>	0.49

**Diluted earnings per share**

The diluted earnings per share and the weighted average number of common shares outstanding after adjustment for the effects of all dilutive common shares have been calculated as follows:

<i>(in thousands of dollars and number of shares)</i>	<b>Three months ended June 30, 2014</b>	Three months ended June 30, 2013	<b>Six months ended June 30, 2014</b>	Six months ended June 30, 2013
Net income attributable to owners of the Company	<b>37,268</b>	26,559	<b>43,203</b>	45,419
Dilutive effect:				
Convertible debentures	<b>1,031</b>	3,130	-	-
Net income attributable to owners of the Company, adjusted for dilution effect	<b>38,299</b>	29,689	<b>43,203</b>	45,419
Weighted average number of common shares	<b>98,589,826</b>	92,560,924	<b>97,307,367</b>	92,701,679
Dilutive effect:				
Stock options and warrants	<b>2,057,278</b>	1,307,063	<b>2,076,909</b>	1,423,675
Convertible debentures	<b>3,825,159</b>	11,360,659	-	-
Weighted average number of diluted common shares	<b>104,472,263</b>	105,228,646	<b>99,384,276</b>	94,125,354
Earnings per share – diluted	<b>0.37</b>	0.28	<b>0.43</b>	0.48

For the six months ended June 30, 2014 and 2013, the convertible debentures were excluded from the calculation of diluted earnings per share as they were anti-dilutive.

For the three and six months ended June 30, 2013, 1,022,800 stock options were excluded from the calculation of diluted earnings per share.

The average market value of the Company's shares for purposes of calculating the dilutive effect of stock options was based on quoted market prices for the period during which the options were outstanding.

**11. Share-based payment arrangements****Stock option plan**

The Company offers a stock option plan for the benefit of certain of its employees. The maximum number of shares which may be issued under this plan may not exceed ten percent (10%) of the number of issued and outstanding shares of the Company from time to time. Each stock option entitles its holder to receive one common share upon exercise. The exercise price payable for each option is determined by the Board of Directors at the date of grant, and may not be less than the closing price of volume weighted average trading price of the Company's shares for the last five trading days immediately preceding the grant date. The options vest in equal instalments over three years and the expense is recognized following the accelerated method as each instalment is fair valued separately. The table below summarizes the changes in the outstanding stock options:

<i>(in thousands of options and in dollars)</i>	<b>Three months ended June 30, 2014</b>		Three months ended June 30, 2013		<b>Six months ended June 30, 2014</b>		Six months ended June 30, 2013	
	<b>Number of options</b>	<b>Weighted average exercise price</b>	Number of options	Weighted average exercise price	<b>Number of options</b>	<b>Weighted average exercise price</b>	Number of options	Weighted average exercise price
Balance, beginning of period	<b>4,096</b>	<b>13.63</b>	3,642	11.62	<b>4,229</b>	<b>13.57</b>	3,803	11.44
Exercised	<b>(65)</b>	<b>8.88</b>	(25)	7.23	<b>(194)</b>	<b>10.70</b>	(175)	6.77
Forfeited	<b>(94)</b>	<b>18.03</b>	-	-	<b>(98)</b>	<b>17.97</b>	(11)	15.57
<b>Balance, end of period</b>	<b>3,937</b>	<b>13.60</b>	3,617	11.65	<b>3,937</b>	<b>13.60</b>	3,617	11.65
<b>Options exercisable, end of period</b>					<b>2,185</b>	<b>10.06</b>	1,747	8.75

The following table summarizes information about stock options outstanding and exercisable at June 30, 2014:

<i>(in thousands of options and in dollars)</i>	Options outstanding		Options exercisable
	Number of options	Weighted average remaining contractual life (in years)	Number of options
Exercise prices			
6.32	785	5.1	785
9.46	733	6.1	733
14.28	657	4.1	408
16.46	888	5.1	259
20.18	874	6.1	-
	<b>3,937</b>	<b>5.3</b>	<b>2,185</b>

Of the options outstanding at June 30, 2014, a total of 3,125,235 (December 31, 2013 – 3,392,503) is held by key management personnel.

The weighted average share price at the date of exercise for stock options exercised in the six months ended June 30, 2014 was \$23.93 (June 30, 2013 – \$22.49).

For the three and six months ended June 30, 2014, the Group recognized a compensation expense of \$1.0 million and \$2.2 million respectively (2013 – nil and \$2.0 million) with a corresponding increase to contributed surplus.



**11. Share-based payment arrangements (continued)**
***Deferred share unit plan for board members***

The Company offers a deferred share unit plan ("DSU") for its board members. Under this plan, board members may elect to receive cash, deferred share units or a combination of both for their compensation. The following table provides the number of units related to this plan:

<i>(in units)</i>	<b>Three months ended June 30, 2014</b>	Three months ended June 30, 2013	<b>Six months ended June 30, 2014</b>	Six months ended June 30, 2013
Balance, beginning of period	<b>195,667</b>	188,739	<b>188,690</b>	182,242
Board members compensation	<b>6,531</b>	6,561	<b>12,383</b>	11,917
Deferred share units redeemed	-	(21,721)	-	(21,721)
Dividends paid in units	<b>1,182</b>	1,157	<b>2,307</b>	2,298
Balance, end of period	<b>203,380</b>	174,736	<b>203,380</b>	174,736

For the three and six months ended June 30, 2014, as a result of deferred share units the Group recognized a compensation expense of \$0.2 million and \$0.3 million respectively (2013 - \$0.1 million and \$0.3 million) with a corresponding increase to trade and other payables.

As at June 30, 2014, the total carrying amount of liabilities for cash-settled arrangements amounted to \$5.1 million (December 31, 2013 - \$4.8 million).

**12. Operating expenses**

The Group's operating expenses include: a) materials and services expenses, which are primarily costs related to independent contractors and vehicle operation; vehicle operation expenses primarily include fuel, repairs and maintenance, insurance, permits and operating supplies; b) personnel expenses; c) other operating expenses, which are primarily composed of costs related to offices' and terminals' rent, taxes, heating, telecommunications, maintenance, security and other general expenses; and d) depreciation and amortization.

	<b>Three months ended June 30, 2014</b>	Three months ended June 30, 2013	<b>Six months ended June 30, 2014</b>	Six months ended June 30, 2013
Materials and services expenses				
Independent contractors	<b>412,644</b>	338,111	<b>761,763</b>	656,789
Vehicle operation expenses	<b>117,097</b>	105,147	<b>232,910</b>	212,354
	<b>529,741</b>	443,258	<b>994,673</b>	869,143
Personnel expenses	<b>200,737</b>	206,683	<b>397,081</b>	412,525
Other operating expenses	<b>51,305</b>	49,163	<b>103,755</b>	97,829
Depreciation of property and equipment	<b>22,559</b>	24,777	<b>45,344</b>	49,449
Amortization of intangible assets	<b>8,419</b>	9,894	<b>16,361</b>	19,132
Impairment of intangible assets	<b>27,839</b>	-	<b>27,839</b>	-
Gain on sale of property and equipment	<b>(2,861)</b>	(3,792)	<b>(7,220)</b>	(12,937)
Gain on sale of assets held for sale	<b>(284)</b>	-	<b>(2,019)</b>	-
Gain on sale of business	-	-	<b>(1,126)</b>	-
	<b>837,455</b>	729,983	<b>1,574,688</b>	1,435,141

Operating expenses increases are mainly attributable to business combinations. In 2014 and 2013, acquired businesses were mostly asset light and therefore, the independent contractors expense is predominant.

**13. Finance income and finance costs**
*Recognized in income:*

<i>(Income) costs</i>	Note	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Interest expense on long-term debt		9,845	10,289	18,061	20,722
Accelerated accretion expense on conversion of debentures	8	-	-	5,557	-
Unwinding of discount provisions		290	223	562	446
Change in fair value of contingent considerations		-	(350)	-	(304)
Reclassification to income of accumulated unrealized gain on investment in equity securities of Vitran Corporation Inc.	5 a)	-	-	(6,245)	-
Gain on sale of investment in equity securities		-	(14)	(516)	(475)
Net foreign exchange (gain) loss		(14,403)	13,699	(674)	21,925
Net change in fair value of foreign exchange derivatives		(3,679)	1,326	321	948
Net change in fair value of interest rate derivatives		2,040	(293)	3,257	(682)
Other financial expenses		2,009	1,035	3,029	2,634
Net finance (income) costs		(3,898)	25,915	23,352	45,214

## Presented as:

Finance income	(18,082)	(657)	(7,435)	(1,461)
Finance costs	14,184	26,572	30,787	46,675

**14. Income tax expense**
*Income tax recognized in net income:*

	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Current tax expense				
Current period	25,949	19,902	31,303	34,006
Adjustment for prior periods	1,005	-	1,005	-
	26,954	19,902	32,308	34,006
Deferred tax expense				
Origination and reversal of temporary differences	(10,018)	(10,106)	(15,659)	(17,955)
Variation in tax rate	-	-	-	151
Adjustment for prior periods	1,316	-	1,663	-
	(8,702)	(10,106)	(13,996)	(17,804)
Income tax expense	18,252	9,796	18,312	16,202

**14. Income tax expense (continued)**
**Reconciliation of effective tax rate:**

	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Three months ended June 30, 2013
Income before income taxes	<b>55,520</b>	36,355	<b>61,515</b>	61,621
Income tax using the Company's statutory tax rate	<b>26.9% 14,935</b>	26.9% 9,779	<b>26.9% 16,548</b>	26.9% 16,576
Increase (decrease) resulting from:				
Rate differential between jurisdictions	<b>-7.9% (4,391)</b>	-4.2% (1,524)	<b>-10.7% (6,604)</b>	-4.6% (2,820)
Variation in tax rate	- -	- -	- -	0.2% 151
Non-deductible expenses	<b>12.9% 7,148</b>	5.4% 1,971	<b>15.7% 9,662</b>	6.4% 3,926
Tax exempt income	<b>-3.2% (1,761)</b>	-1.2% (430)	<b>-6.4% (3,962)</b>	-2.6% (1,631)
Adjustment for prior periods	<b>4.2% 2,321</b>	- -	<b>4.3% 2,668</b>	- -
	<b>32.9% 18,252</b>	26.9% 9,796	<b>29.8% 18,312</b>	26.3% 16,202

**15. Operating leases, contingencies and guarantees**
**a) Operating leases**

The Group entered into operating leases expiring on various dates through March 2035, with respect to rolling stock, real estate and other. The total future minimum lease payments under non-cancellable operating leases are as follows:

	As at June 30, 2014	As at December 31, 2013
Less than 1 year	<b>89,494</b>	80,621
Between 1 and 5 years	<b>176,532</b>	164,042
More than 5 years	<b>148,342</b>	134,432
	<b>414,368</b>	379,095

During the three and six months ended June 30, 2014, amounts of \$23.8 million and \$47.9 million respectively were recognized as expenses in income or loss in respect of operating leases (2013 – \$22.9 million and \$45.0 million).

**b) Contingencies**

There are pending claims against the Group and, in the opinion of management, these claims are adequately provided for and settlement should not have a significant impact on the Group's financial position or financial performance.

**c) Guarantees**

As at June 30, 2014, the Group had \$28.2 million of outstanding letters of guarantee (December 31, 2013 - \$24.5 million).

**16. Subsequent events**

On July 3, 2014, the Group completed the acquisition of the entire share capital of Transport America Inc. ("Transport America"), an important provider of truckload ("TL") carriage and logistics services. Founded in 1984 and headquartered in Eagan, Minnesota, Transport America provides an integrated offering of dry-van TL transportation services across the United States. It offers a wide array of short and long haul freight carriage, expedited and dedicated shipping services, as well as international and intermodal services through various partners. The purchase price represents a total enterprise value of approximately US\$310 million, including Transport America's debt of about US\$150 million, which has been reimbursed at closing.

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# Corporate Information

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KPMG LLP

## STOCK EXCHANGE LISTING

TransForce Inc. shares are listed on the Toronto Stock Exchange under the symbol TFI and on the OTCQX marketplace in the U.S. under the symbol TFIFF.

## FINANCIAL INSTITUTIONS

National Bank of Canada  
Royal Bank of Canada  
Bank of America Merrill Lynch  
The Bank of Nova Scotia  
Bank of Montreal  
Caisse Centrale Desjardins  
Investissement Québec  
Business Development Bank of Canada (BDC)  
Canadian Imperial Bank of Commerce  
Toronto Dominion Bank  
Bank Of Tokyo-Mitsubishi UFJ (Canada)  
HSBC Bank Canada  
Alberta Treasury Branch  
Canadian Western Bank

## REGISTRAR AND TRANSFER AGENT

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## DESIGNED AND WRITTEN BY

MaisonBrison Communications

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**TRANSFORCE INC.** is a North American leader in the transportation and logistics industry, operating across Canada and the United States through its subsidiaries. TransForce creates value for shareholders by identifying strategic acquisitions and managing a growing network of wholly-owned, operating subsidiaries. Under the TransForce umbrella, companies benefit from financial and operational resources to build their businesses and increase their efficiency. TransForce companies service the following segments:

- **PACKAGE AND COURIER**
- **LESS-THAN-TRUCKLOAD**
- **TRUCKLOAD**, which includes specialized truckload and dedicated services
- **SPECIALIZED SERVICES**, which includes waste management, logistics services and rig moving services.

TransForce Inc. is publicly traded on the Toronto Stock Exchange (TSX: TFI) and the OTCQX marketplace in the U.S. (OTCQX: TFIFF).



[www.transforcecompany.com](http://www.transforcecompany.com)